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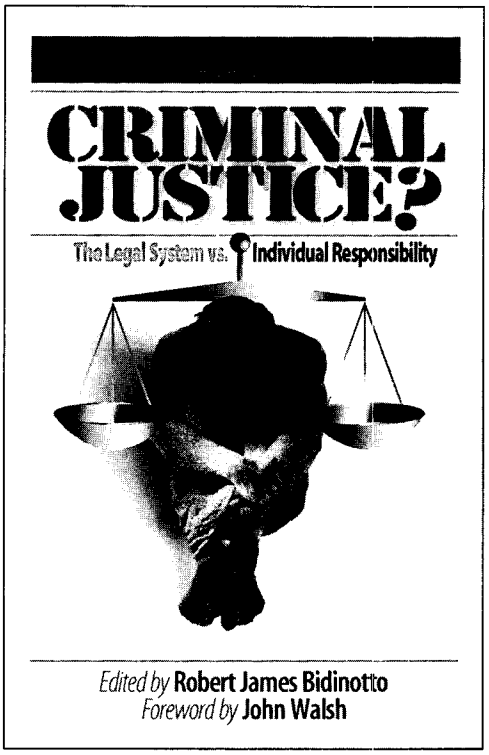
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PERSPECTIVE

The Road Ahead

Editor's Note: This piece is extracted from *Forgotten Lessons: Selected Essays of John T. Flynn*, edited by Gregory P. Pavlik and published by The Foundation for Economic Education this month.

The road we are traveling is sufficiently clear. We cannot delude ourselves with the expectation that we may go a little way further and then stop in the belief that we can combine socialism and capitalism and preserve the best features of each. The very first hard and cold fact we must face is that these two systems cannot live together in the same society.

If we keep on the way we are going, nothing can save the capitalist sector of our economy from extinction, because it will inevitably be called upon to pay the cost of operating its own sector and the greater portion, if not all, of the cost of operating the socialist sector. In the United States the few Government-operated industries we have are operated at a loss. *Private industry must produce the income out of which the losses of these Government industries are paid, and the attendant costs of Government as well.*

We must arrest the course of the social disease that is destroying us and set our hands to the hard task of lifting up and revivifying our shattered system of free enterprise. If we do not, we shall go on stumbling down the path along which Europe has slipped.

It is not possible to lay down a program in detail for checking and reversing our direction. And it is not necessary. What is necessary is to see clearly the general principles which must govern our effort. These I shall now attempt to enumerate as briefly as possible.

We must put human freedom as the first of our demands. There can be no security in a nation without freedom. Let us work to make our country a more bountiful home for all to live in, but the first and indispensable test of every plan must be whether it will

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impair our freedom. A better life for all, yes—but not at the expense of our liberties.

We must stop apologizing for our capitalist society. It has made us strong, and has provided us the highest standard of living in world history.

Not one more step into socialism. There is, of course, much to be done to repair all the damage already done to our system by the advocates of socialistic measures, but the first militant maneuver must be to hold the line for the American way.

Get rid of compromising leaders. Let us put a mark upon every man in public life who is willing to surrender further.

We must recognize that we are in a social war, and that we must fight it as such. Our enemies have managed to capture many of the instrumentalities of the classroom, the platform, the pulpit, the movies and the radio upon an amazing scale, and to use them not for their traditional purposes but to carry on an attack upon the minds of the American people.

We must put an end to the orgy of spending that is rapidly bankrupting the nation. Among the most critical conditions that menace us are the fantastic commitments for spending countless billions and the crushing weight of our national debt upon our economic system. . . . We must not permit one more cent for any purpose beyond our present commitments.

We must stop "planning" for socialism and begin planning to make our free system of private enterprise operate at its fullest capacity. Since 1933 the Government has waged relentless war upon the capitalist system—at first ignorantly, but recently with a definite design to cripple and destroy it. The man who runs a business has been pilloried as a criminal, and the Government has taken measures to prevent him from accumulating those savings which make expansion possible. It has held him up to public scorn and hatred. It has taxed away his savings, and it has so choked the streams through which savings flow into investment that our system is wilting away.

Our system is in an appalling mess now, what with the public debt, the confiscatory taxes which draw the blood from its very veins, Government intrusions, and the threats of ultimate extinction that are taking ever more terrifying shape. The task calls for patriotism and courage; it must not be delayed another day.

We must set about rebuilding in its integrity our republican system of government. We cannot depend on any political party to save us. We must build a mass organization outside the parties so powerful that all parties will be compelled to yield to its demands. Our forefathers gave to the world the sublime example of statesmen who cast off the tyrant State and built up the sovereign people, unleashing the energies of free men. It was this historic experiment which set off the astonishing surge of human energy that created here such abundance and freedom as the world has never known.

The task before us is clear. For our principles of action we must go back to our Constitution, to our Declaration of Independence, to our history and to the example set by our national fathers. We must begin now to dismantle the tyrant State in America and to build up once again the energies of a free people.

—JOHN T. FLYNN (1949)

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THE FREEMAN
IDEAS ON LIBERTY

Trial by Jury vs. Trial by Judge

by Bertel M. Sparks

In discussing "Trial by Jury vs. Trial by Judge" I do not purport to be discussing any new thing. The desirability or undesirability of trial by jury has been discussed in one way or another for generations.

On such a subject we could talk about the law relating to the respective functions of the jury and the judge. We could go into a technical discussion of when, under existing law, a jury trial is proper and when some other form of proceeding is proper. We could attempt to discriminate between the function of the judge and the function of the jury under existing law.

For our purposes here it is sufficient to say that it is the function of the jury to find the facts in a given case and the function of the judge to interpret the law relative to those facts.

If we turn to our legal history as it extends back into the Mother Country we find that at the time America was being discovered there was no clear concept of trial by jury. We find trial by ordeal. Shortly before that, and to some extent contemporaneous with it, we find trial by battle.

Eventually a group of men were called in to determine or decide the facts. This might have been the forerunner of our present-day jury but it was far from anything we would call a jury at the present time. At first these people who were called in to determine the facts were people familiar with all or some part of the incident involved. They had seen the incident take place or they had heard about it—yes, having heard about it was sufficient qualification in many cases—and they were to get together and decide the case.

From this step we moved along to a jury of men who knew nothing about the existing facts but who were gathered together for the purpose of listening to the evidence and then deciding what was truth. Both sides were permitted to introduce evidence. The jury decided what they would believe. That settled the matter so far as the facts were concerned. Roughly, that is our present day jury.

Common Criticism

Numerous attacks have been made upon the jury—so many in fact that it would be impossible for us to even list them. All we can do is to merely recall some of the most frequently mentioned criticisms.

It is said that the jury causes a great waste of time. It has been pointed out that a trial by jury usually requires from two to three times the amount of time required when the jury trial is waived and the case is tried to a judge. It is said that this causes considerable delay and that the courts get so far behind trying ordinary cases that it becomes impossible to obtain justice in a given case within a reasonable time.

It is also said that the jury is incompetent to determine many of the issues that come before it. They are men and women taken from everyday life, unfamiliar with courtroom procedure and courtroom language. They are misled by the judge's instruction, misunderstand the law, and give unfair or prejudiced decisions.

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About the Author

Buoyed by the O. J. Simpson trial, the jury system has surfaced in the national conscience again. As Professor Sparks points out, discussion about juries is not new, but it remains relevant, for with new attention has come new attack. In this article, written almost four decades ago but unpublished until now, Professor Sparks defends one of our precious heritages from the law and customs of England, trial before a jury of our peers.

The career of Bertel M. Sparks (1918–1994) as a professor of law was almost equally divided between the schools of law of New York University and Duke University. His expertise was in the areas of real property, wills, trusts, and future interests. He was the author of two books and of numerous journal articles, some of them published in *The Freeman.*

Named to the Board of Trustees of The Foundation for Economic Education in 1972, he was a frequent speaker at FEE summer seminars. He became Trustee Emeritus of FEE several years before his death.

In preparing his papers for a university archive, I found this previously unpublished manuscript and edited it for publication. It was originally delivered as a speech before the Christian Association of New York University, November 6, 1957, and is excerpted for *The Freeman.*

—*Martha Evans Sparks* (Mrs. Bertel M. Sparks)

It is also said that the jury is likely to become intrigued by the two contesting lawyers, jurors are likely to decide the case according to what they think of the lawyers rather than what they think of the rights of the parties involved.

Another charge made against the jury is that they can't understand the complicated transactions involved in many cases they are asked to decide. They don't understand what a bill of lading is. They don't know what is meant by goods being sold on consignment. They can't understand some of the embezzlement cases.[1] In the personal injury cases, they are in no position to fix damages. They can't estimate the value of a broken leg, a destroyed brain, a mangled body, or even a damaged automobile.

While all these things have some weight, those who would oppose any attack upon the jury system would insist that they are not as serious as might at first appear and that even if they are serious there is no satisfactory substitute.

As for the jury trial taking more time than trial by a judge, there is even some doubt about that. The time that is consumed is usually consumed through the operation of various rules of admissibility of evidence, motions for delay, and others. These might be defects in our procedural law but it is a mistake to say that they all can be blamed upon the jury system.

As for the jury's alleged inability to cope with the facts before it and that it is an incompetent instrument for determining truth, this too may be doubted. Who is to say that a judge, or a group of judges, are in a better position to decide the amount of damage a truck driver should have for losing an arm than twelve men and women chosen at random and including mechanics, laborers, grocery clerks, accountants, and possibly truck drivers.

The Heart of the Matter

This brings us to the real heart of the matter and to the point where, in my judgment, it becomes clear that the jury system must be preserved at all costs. If it is to be preserved it must be preserved, not simply because it is old, venerated, loved, or any of those things. If it is to be preserved it should be because it is essential to human liberty, individual dignity, and a free society.

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If political freedom and a stable society are to be preserved it is essential that there be a system of justice in which the public has confidence and willingness to trust. In your study of history you have been thrilled and spellbound by some of the stories of the steps toward human freedom, some of the great revolutionary movements in history. If you will examine those I believe you will find that most of them had their origin in some phase of the administration of justice. Every person who has even given thought about freedom of the press knows there is such a man as Peter Zenger. No one has read about the American Revolution without hearing of the Boston Massacre. The story of our own Civil War cannot be completed without Dred Scott and John Brown.

When these rights are achieved, by whatever means, they get enforced, not through the legislature, not through the executive, but through the courts. They are trials. It is there that the individual finds justice or fails to find justice. What can give him more confidence in that justice than the fact that twelve of his peers participate in meting it out. These twelve men are part of the process. The man concerned may feel that he is not getting justice. The community might not want to accept it. If it was decided by a representative group from the community, it is likely to be accepted. It is here that the administration of justice is brought close to the people. The people are not ready to accept a doubtful decision made by a professional, by a panel of experts, or by a dictator. They are ready to accept that decision which came from their own group. And the jury is a means of bringing the whole power of the citizenry to bear upon the daily administration of justice.

The jury is also a means of bringing flexibility into the courtroom. The judge must be impartial. He must be impersonal. He must administer the law as he finds it. All this is said to the jury. The jury has been criticized by the allegation that it does not apply the law but is swayed by the emotional appeal of the particular case. The very fact that it is so swayed is one of its crowning features. When the jury—twelve of your peers—retires to the jury room it becomes king. It becomes king but a very responsible king. The door to that jury room must remain forever inviolate. What goes on in there is their business and theirs alone. But they are twelve men. They are strangers to each other. They must answer to each other and to their own consciences. They must also live in the community where they made that decision. They are necessarily limited in their actions by all these things.

Dean Wigmore[2] has told us of a young woman who was earning her own living but who succumbed to the influence of an attractive but unworthy young man and married him. He turned out to be a sot. He lived off her income until she got a divorce two years later. Somehow he had managed to purchase a $2,000 insurance policy payable to his estate. He died with this insurance policy his only asset and a distant uncle his nearest relative. Friends of the young woman persuaded her to file a claim against the estate for the money she had advanced to this good-for-nothing. At the trial a written promissory note for exactly $2,000 payable to the wife and signed by the husband was introduced. A handwriting expert testified that the writing was a forgery. Later the expert asked the foreman of the jury if they honestly doubted the expert's testimony. The foreman answered, "Of course we believed it, but we were not going to let that poor woman lose all the money that she had given to that worthless husband of hers!" Some will cite this as a reason for abolishing the jury. I cite it as a reason for its indispensability.

The jury also serves as a school in democracy. The right to the tribunals of justice is the right through which all other rights can be protected or through which they can all be destroyed. The humblest juror becomes a part of that tribunal. He sees it in operation. He operates it. He is elevated to a position of importance. The events of the courtroom—the events of his judicial system are brought home to him. This is impossible if the case is tried to a judge, a referee, an expert, or what-not.

Another essential reason for having the

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jury is that its job is not the job of an expert and not the job of an individual. It is a job which requires group judgment. In the field of physical sciences (regardless of what Einstein said), it is possible to deal in absolute realities. On the human level this is impossible in the conduct of human life. There we must deal in averages, generalities, reasonableness, and other equally vague quantities. That average, that generality, that reasonable denominator, can best be arrived at through a group judgment. No human being can, or even has a right, to judge with any degree of absoluteness the right or the wrong of any individual. In fact that is the foundation of sin itself. What was the original sin but man's attempt to be God—man's partaking of the tree of knowledge of right and wrong.

The best that any system of earthly justice can hope for is to enforce some minimum standard. That minimum standard must be a standard accepted by the group. That makes the group decision necessary. The indictment—the accusation—might picture the accused raven black. But he is entitled to hear the verdict of his own comrades. When that verdict is "Not Guilty" he becomes white as the driven snow. Why? Not because a judge said so. Not because a panel of judges said so. Not because some expert in the science of the mind said so. But because twelve men of his peers said so.

There has been no time in the history of the world when anyone has admittedly attacked human freedom. That just isn't done. It isn't being done now. Other schemes are used. They often have their origin in noble motives. The effort to take the courts of justice—the deciding of particular cases—out of the hands of the popular will is in effect an attack upon that freedom. If you would preserve freedom, preserve the institution which administers freedom. If it is the people's liberty with which you are concerned, keep that liberty in the hands of the people.

Remember one thing more. No citizen worthy of being a citizen will ever decline jury service. □

1. Almost 40 years after Professor Sparks wrote, the ignorance-of-the-masses argument against trial by jury is still alive and well: "Commercial cases require a sophistication and expertise that lay jurors generally don't have." James D. Zirin, "Courting Disaster," *Barron's*, March 13, 1995, p. 45. [Editor's note]

2. John Henry Wigmore (1863–1943), professor and dean at the Northwestern University School of Law, Chicago, and an authority on the law of evidence.

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IDEAS ON LIBERTY

Greed and Gravity

by Dwight R. Lee

People have a tough time discussing self-interest in a morally neutral way. While morally charged arguments about self-interest can be philosophically intriguing, they are usually beside the point. Self-interest, or greed as it is often called, is like gravity: a pervasive force remarkably unaffected by philosophical discussions of right and wrong. When confronted with such a force one should recall the Alcoholics Anonymous prayer, "Lord, give me the courage to change the things that can and ought to be changed, the serenity to accept the things that cannot be changed, and the wisdom to know the difference." Discussions of self-interest typically reflect little serenity and even less wisdom.

Although self-interest does have its defenders, its detractors are far more numerous and influential. Self-interest is commonly seen as a negative characteristic that people should try to overcome. In this view, self-interest and greed are synonymous, and the world would be a better place if people discarded them as they would bad habits. Some people distinguish between greed (bad) and "enlightened self-interest" (good). But the person who applies the adjective "enlightened" often does so to champion action that he approves and which commonly does more to promote his well-being than that of those urged to take the recommended action.

The defenders of self-interest base their arguments on deeper philosophical insight into human nature, and have made a strong case for narrowly focused self-interest—what most people would refer to as greed. Those who defend narrow self-interest recognize that people are capable of malevolence as well as benevolence when concerning themselves with the interests of others. And given the history of man's inhumanity to man, malevolence is probably a stronger impulse than benevolence.

Dr. Lee, Ramsey Professor of Economics at the University of Georgia, is this month's guest editor.

In Defense of Commerce

Indeed, the major advantage some eighteenth-century writers saw in the emerging market-based economy was that it motivated people to substitute commercial avarice (or greed) for more disruptive passions, such as the lust for power and conquest. This view was succinctly captured by Samuel Johnson when he observed, "There are few ways in which a man can be more innocently employed than in getting money."[1] In his famous 1748 treatise, *Spirit of the Laws*, the French political philosopher Montesquieu stated: "It is almost a general rule that wherever manners are gentle there is commerce; and wherever there is commerce, manners are gentle."[2] The Scottish historian William Robertson wrote in 1769, "Commerce tends to wear off those prejudices which maintain distinctions and animosity between nations. It softens and polishes the manners of men."[3] More recently, even John Maynard Keynes saw virtue in narrowly focused self-interest:

> Dangerous human proclivities can be canalized into comparatively harmless channels

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> by the existence of opportunity for money-making and private wealth, which if they cannot be satisfied in this way, may find their outlet in cruelty, the reckless pursuit of personal power and authority, and other forms of self-aggrandizement. It is better that a man should tyrannize over his bank balance than over his fellow-citizens. . . .[4]

But the defenders of self-interest, and their arguments, are not widely known. Most people see the defenders of self-interest as villainous characters. Certainly popular entertainment promotes the view that self-interest, particularly commercial self-interest, is a corrupting influence in society. According to one study, during the 1980s almost 90 percent of all business characters on television were portrayed as corrupted by greed.[5]

Politicians do the most to foster and exploit the negative view of self-interest. They constantly rant against the greed of those who put their private interest above the public interest. Invariably when a politician engages in such a diatribe, he is rationalizing the failure of some public policy that he favors. Few things would do more to discredit silly political statements and derail pernicious public policies than to recognize that self-interest is not good or bad, it just is.

Imagine an aeronautical engineer who kept designing airplanes that either never got off the ground or crashed almost immediately if they did. Consider our response to such an engineer if she claimed that there was nothing at all wrong with her engineering, and that her planes would fly just fine if it weren't for gravity. She would immediately be dismissed as a raving lunatic. But is her argument really any sillier than those we hear from politicians and statist policy wonks every day?

Recall the recent health-care debate. Government policy has led to health-care arrangements where most medical services are paid for by third parties, with neither patients nor physicians having much motivation to take costs into consideration. The predictable result has been escalating prices for health-care services and, of necessity, increasing health-insurance premiums. But the constant refrain from the health-care engineers in Washington is that the problem is greed, not the collectivization of health-care decisions. Indeed the recommendation has been for more collectivization. The recommended health-care system would work just fine, with the finest care at the lowest prices for all, if only physicians, drug companies, and insurance companies weren't so greedy.

As government has grown larger, controlling an increasing share of the national income, organized interests have predictably devoted more effort to influencing government policy. The noble objectives that it is easy to imagine being achieved by an expansive government invariably fall victim to perversities of interest-group politics. Yet good-government types are convinced that bigger government could be the source of bigger benefits if only the greedy special interests would quit putting their narrow concerns ahead of the general welfare. Greed is the problem, not the design of government programs and policies. So all that is needed is the right campaign reform and lobbying restrictions to banish the corrupting influence of greed from politics.

Other examples could be given of social engineers blaming greed and self-interest when their policies fail to achieve liftoff, but the point is clear. The public would be well served if politicians and policy makers began recognizing that self-interest is not good or bad, but an unalterable fact of life. Until they do, they will continue to design cumbersome and costly public policies that do far more harm than good, and then blame their failures on greed. □

1. James Boswell, *The Life of Samuel Johnson* (Middlesex, England: Penguin Books, 1979), p. 177.

2. Quoted on p. 1464 of Albert O. Hirschman, "Rival Interpretations of Market Society: Civilizing, Destructive, or Feeble," *Journal of Economic Literature*, December 1982, pp. 1463–1484.

3. Quoted in Albert O. Hirschman, *The Passions and the Interests: Political Arguments for Capitalism Before Its Triumph* (Princeton University Press, 1977), p. 61.

4. *The General Theory of Employment, Interest and Money* (London: Macmillan, 1936), p. 374. Also quoted in Hirschman (1977), *op. cit.*, p. 134.

5. See page 146 of Robert Lichter, Linda Lichter, and Stanley Rothman, *Watching America* (New York: Prentice Hall, 1990).

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THE FREEMAN
IDEAS ON LIBERTY

The Foundations of Political Disarray: Lessons from Professor Hayek

by Richard B. McKenzie

The late Friedrich Hayek, who spent his career explaining why centrally directed economies are bound to fail, started one of his philosophical essays with a profound Socratic maxim, *"[T]he recognition of our ignorance is the beginning of wisdom."*[1] The wisdom in those words was a cornerstone of Professor Hayek's classic work, *The Road to Serfdom*, which, perhaps more than any other volume, explains the collapse of Communism.[2] In 1994, we celebrated the fiftieth anniversary of that book's publication.

As Professor Hayek elaborated, civilization as we know it is founded on the use of much more knowledge than any one individual is aware of, or even can be aware of. Most of what is done in civilized society requires the employment of far more knowledge than any single person could possibly absorb. The trick (and marvel) of civilized order has been the coordination of the use of total societal knowledge without any one person knowing all there is to know, which means without centralized direction.

Centralized direction of the economy invariably means reliance on the limited knowledge of those who give the directions. "If we are to understand how society works," the good professor added, "we must attempt to define the general nature and range of our ignorance concerning it. Though we cannot see in the dark, we must be able to trace the limits of the dark area" (of what we don't and cannot know).[3] The limits are defined by our considerable but restricted intelligence.

The content of the "dark area" is what the multitude of other people will do with their knowledge and how we and they will react to one another in a succession of evolving rounds of adjustments to our plans, given what we learn as we proceed into the future. If we could somehow know how all of the adjustments would play out, it is unlikely that the future would be nearly as complex or prosperous as it would otherwise be, simply because the future would then be what we, with our limited knowledge, could absorb and deduce, which, in the cosmic scope of things, isn't very much.

Politics and the "Usual Approach"

Instead of acknowledging the vastness of the "dark area," which can only be known

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F. A. Hayek, circa 1945

as people freely interact, too many modern political leaders—the president and past presidents included—start with a radically different premise. They presume that, with enough hard work and a sufficient number of very bright colleagues, they can impose their acquired wisdom on the rest of the country to marvelous effect. They do not understand that it is their own "constitutional ignorance" (to use another of Hayek's epigrams) that forms the foundation of political disarray.

We have been cursed with the types of leaders Hayek had in mind when he wrote in the 1950s about the misleading consequences of the "usual approach," which stresses how much people *do* in fact know, not the far greater amount of what they *don't* know. The "usual approach" often leads, mistakenly, to the conclusion that the fundamental institutions of society were deliberately created and can, therefore, be deliberately changed productively by administrative pronouncements. The problem is that most institutions became what they are—more complex and sophisticated—as people were able to tap into the knowledge held by more and more other people and reacted to one another in a multitude of unpredictable ways.

Activist politicians who reveal their political predispositions acknowledge that government has worked poorly in the past for the relief of social ills. Their solution: extend the reach of government in virtually all directions, into the management of industrial (technology) policy, the control and direction of cyberspace and the electronic superhighway, and the administration of international trade at the industry level. At the same time, they intend to give detailed direction on the "educational" content of children's television programs, as well as reform of the dreary performance of the nation's school system, from the bureaucracies of Washington.

These programs are only a sample of the thousand and one things politicians and bureaucrats want to accomplish by taxing the nonpoor and imposing extensive regulations on employers. They don't seem to realize that their proposed guidance will not be imposed on a system that is already without direction. Their directives will simply replace—because of the taxes and mandates involved—the innumerable directives given by others.

More pointedly, recent leaders and their henchmen have rightfully and astutely surmised that the new world economic order is a highly sophisticated, complex, messy place that will not be safe for those workers who refuse to continually reinvent their human skills. They have, however, taken it upon themselves to be responsible (in words at least) for the skills of all quarter billion Americans. The current president has repeatedly claimed that what will distinguish his administration from its predecessors is that he will go to bed each night worrying about solutions for the employment problems of *all* Americans. Now, understandably, he wants to take credit for every job created in the country (all five million of them) since he took office. On his June 1994 trip to Europe, he extended his policy sights, proposing to set aside tens of millions of taxpayer dollars to make American tax-

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payers the engine for job creation in Eastern Europe, most notably Poland.

"The More Men Know . . ."

Such policy claims and proposals should be recognized for what they are, pure political balderdash, given that our sophisticated, complex, and messy world imposes strict limits on what any administration can do to good effect. As Professor Hayek notes, "The more men know, the smaller the share of all that knowledge becomes that any one mind can absorb. The more civilized we become, the more relatively ignorant must each individual be of the facts on which the workings of civilization depends. The very division of knowledge increases the necessary ignorance of the individual of most of this knowledge."[4]

A number of years ago, the late Leonard Read, founder and president of the Foundation for Economic Education, wrote "I, Pencil," an article in which he observed that, ironically, no one on earth knows how to make a product as simple as a pencil.[5] No one knows enough—and cannot know enough—to make all the components of a pencil (or make all the components that go into the equipment required to produce a pencil). Yet, pencils are made by the tens of millions, if not billions, annually.

Just think if Mr. Read were to rewrite his article today using an ordinary computer as his example. His central point would have double the force, especially now that computer components are made in various places around the globe. Computers, as well as a host of other products, are made nowhere; then again, they are made everywhere.

Nevertheless, the politics of good intentions persists, aiming to end welfare as it has been known, to orchestrate a foreign policy that will cover the globe, to win the endless war against drugs, to save the environment, and to revitalize the nation's metropolitan police forces. And, last but hardly least, to mount a hostile takeover of the nation's health-care system, another one-seventh of the national economy.

Simply stated, it is humanly impossible for any mortal—even the brightest leader with the best of intentions and clearest of visions—to know how to accomplish what he has set as his agenda. There are not enough hours in the day for one individual to learn even the rudiments of what he needs to know to press for a more centralized course for the national economy without serious, possibly debilitating, errors in policies.

> [T]he knowledge which any individual mind consciously manipulates is only a small part of the knowledge which at any one time contributes to the success of his actions. When we reflect on how much knowledge possessed by other people is an essential condition for the successful pursuit of our individual aims, the magnitude of our ignorance of the circumstances on which the results of our action depend appears simply staggering. Knowledge exists only as the knowledge of individuals. It is not much more than a metaphor to speak of knowledge of society as a whole. *The sum of knowledge of all the individuals exists nowhere as an integrated whole.* The great problem is how we can profit from this knowledge, which exists only dispersed as the separate, partial, and sometimes conflicting beliefs of all men [emphasis added].[6]

Those fundamental points are applicable to all mortals, independent of the shapes of their offices. So it is that we see the executive branch thrashing about in virtual administrative chaos, flitting from one policy agenda to the next, setting and then reversing one foreign policy strategy (and miscue) after another, and always covering its efforts in the rhetoric of what Hayek eloquently tagged as the "pretense of knowledge" about what Americans need and want.

Individual Differences

We have been led to believe that any new expansive government agenda should be imposed on the American people with precious little conflict, supposedly because

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people will all seek their common purpose. However, as much as leaders would like to simplify their planning and management problem, and assume that people want and need the same thing (supposedly, what is decided by the political process in Washington), people are different! They have different tastes and needs and are willing to make different tradeoffs, facts that are beyond the purview of the people in power. When so much is at stake—when government becomes deeply involved in the division of the income (or health-care) pie—we should not be at all surprised that Washington begins to look and feel like, to use economist Dwight Lee's turn of words, "malice in plunderland."[7]

When the president sounds off about needed reforms in the nation's health-care industry (or any other industry), I always wonder just how much he really knows—even can know—about what my daughter, who lives in Six Mile, really wants in the way of health care. I suspect that he does not know where Six Mile is, much less the details of the circumstances under which she lives. He certainly knows little to nothing about the trade-offs she is willing to make.

Policymakers need to appreciate the fact that their charted policy course jeopardizes the country's future economic prosperity precisely because they seek, with unrelenting pressure, to restrict our future to what *they* can imagine it will be. They need to acknowledge that successful social and economic systems are not just created or recreated or reinvented at the shake of a presidential finger. If social and economic systems were invented by political leaders, the systems might not be messy, but they would certainly be limited in sophistication and complexity to that which the leaders and their few advisers—who know little or nothing about making pencils, or computers, much less productive and efficient health-care systems—could construct. And their productivity would be somewhere between dismal and nothing.

Contrary to widely held belief, the case for giving power to private individuals through markets (as distinct from giving political power to their leaders) is not founded on a disdain for "government" per se. Governments can do some very important things right—if they restrict themselves in the range of what they are allowed to do. Rather, the case against government empowerment is grounded in the observed limitations of the human mind *to know,* that is, in our necessary individual ignorance. The wealth of nations is dependent upon our drawing on the limited intelligence of the multitudes in the hinterlands, not just the intelligence of the few leaders and their supporting staffs in the country's political center. Markets are communication systems with prices being prime signals for sending messages. The people doing the communicating—each of whom knows some things, but, at the same time, is consumed in a sea of ignorance—are, however, able to coordinate their activities to mutually beneficial and ever more complex effect.

Recognition of that fact would be, as it has always been, the cornerstone of wisdom for our political leaders, the kind that the venerable Professor Hayek would recommend. □

1. F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 22.
2. Friedrich A. Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944).
3. *The Constitution of Liberty*, p. 23.
4. *Ibid.*, p. 26.
5. Leonard E. Read, "I, Pencil," reprinted in *Imprimus* (Hillsdale, Mich.: Hillsdale College, June 1992).
6. Hayek, *The Constitution of Liberty*, p. 24.
7. See Dwight R. Lee, *The Political Economy of Social Conflict, or Malice in Plunderland* (Los Angeles: International Institute for Economic Research, February 1982).

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The Power to Tax

Two-thirds of Americans think the current federal income tax system is "unfair." A majority—51 percent—favor a "complete overhaul" of the system. Former IRS Commissioner Shirley Peterson has said, "we should repeal the Internal Revenue Code and start over."

It's not as though Americans weren't given fair warning. Guess who made these remarkably radical statements about the very idea of a federal income tax more than one hundred years ago:

1. "[It] is an abhorrent and calamitous monstrosity. . . . It punishes everyone who rises above the rank of mediocrity. The fewer additional yokes put around the necks of the people, the better."
2. "[It is] a vicious, inequitable, unpopular, impolitic, and socialistic act. . . . the most unreasoning and un-American movement in the politics of the last quarter-century."
3. "[It] can only be collected by prying into the private affairs of the people by arbitrary methods hateful to the citizens of the republic."

Those were the words of the *Washington Post*, the *New York Times*, and the *Chicago Tribune* respectively, commenting in 1894 on the first income tax to be passed by Congress. This vitriolic criticism was aimed at a proposal that was to levy a mere 2 percent tax on income in excess of $4,000—which would be at least $65,000 in today's dollars. Because of that large $4,000 exemption, 98 percent of Americans were completely exempt from income taxation. One year later the Supreme Court ruled this tax to be unconstitutional, and so ended America's first peacetime experiment with an income tax. It would take a constitutional amendment—the 16th—to give Congress the legal power to shackle us with an income tax.

In 1909, when the 16th Amendment was being debated, the *New York Times* criticized it, saying, "When men get in the habit of helping themselves to the property of others, they cannot be easily cured of it." History has proven that prediction to be correct, though I doubt that it bothers the *New York Times* as much today as it did in 1909.

After the 16th Amendment was ratified, an income tax was imposed starting in 1913 with rates ranging from 1 percent to 7 percent, and the top rate applying only to incomes in excess of $500,000. By 1916 that top rate had risen to 15 percent, on income in excess of $2,000,000. The top rate exceeded 90 percent at its peak in the early 1950s.

The first 1040 form—instructions and all—took up only four pages. Today, there are some 4,000 pages of tax forms and instructions. American workers and busi-

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nesses are forced to spend more than 5.4 billion man-hours every year figuring out their taxes. Since those hours could be put to a more productive use, and almost surely would be in the absence of today's incomprehensible tax code, the result is a large dead-weight output loss of some $200 billion each year.

Changes in the law keep all of us in a constant state of confusion. Since the 1986 so-called "simplification" of the tax code, some 4,000 amendments have been worked back into it. Changes have become so commonplace that on several occasions, Congress has rewritten the law—in the words of a past IRS commissioner—"before the IRS even had time to reprogram its computers from the previous tax reform."

Interestingly, 60 percent of the members of the House Ways and Means and Senate Finance Committees do not prepare their own returns. When Lloyd Bentsen was writing our tax laws as chairman of the Senate Finance Committee a few years ago, he admitted that he personally used a professional tax preparer because "my return is a complicated one."

The IRS now has more enforcement personnel than the EPA, BATF, OSHA, FDA, and DEA combined. With its 115,000-man workforce, it has the power to search the property and financial documents of American citizens without a search warrant and to seize property from American citizens without a trial. It routinely does both.

Economist James L. Payne has written a most revealing analysis of the IRS, a 1993 book entitled *Costly Returns*. He gives us this stunning revelation: the total cost to collect our federal taxes, including the effects on the economy as a whole, adds up to an amazing 65 percent of all the tax dollars received annually. The U.S. tax system, says Payne, has produced hundreds of thousands of victims of erroneous IRS penalties, liens, levies, and tax advice. In answering taxpayer questions, for example, the IRS telephone information service has in previous years given about one-third of all callers—as many as 8.5 million Americans—the *wrong* answers to their questions.

A 1987 General Accounting Office study found that 47 percent of a random sample of IRS correspondence—including demands for payments—contained errors. Incredibly, a GAO audit of the IRS in 1993 found widespread evidence of financial malfeasance and gross negligence at the agency. *The IRS could not account for 64 percent of its congressional appropriation!*

With all this history of taxes and abuse of the taxing power behind us, proposals for much-needed, radical change are in the air. The flat rate income tax is one. A national sales tax is another. Americans will soon be debating both. Advocates of liberty ought to work to make sure that the case for much smaller government figures into that debate.

The forthcoming national debate about how the federal government taxes American citizens will provide a fruitful educational opportunity which proponents of liberty should employ to the fullest. We should use it to remind our fellow citizens of the evils of taxation and the tyranny of the bureaucracies that administer them. America's experience with the federal income tax confirms the prophetic wisdom of John Marshall almost two centuries ago: "The power to tax involves the power to destroy." □

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THE FREEMAN
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Fractional Reserve Banking

by Murray N. Rothbard

We have already described one part of the contemporary flight from sound, free market money to statized and inflated money: the abolition of the gold standard by Franklin Roosevelt in 1933, and the substitution of fiat paper tickets by the Federal Reserve as our "monetary standard." Another crucial part of this process was the federal cartelization of the nation's banks through the creation of the Federal Reserve System in 1913.

Banking is a particularly arcane part of the economic system; one of the problems is that the word "bank" covers many different activities, with very different implications. During the Renaissance era, the Medicis in Italy and the Fuggers in Germany, were "bankers"; their banking, however, was not only private but also began at least as a legitimate, non-inflationary, and highly productive activity. Essentially, these were "merchant-bankers," who started as prominent merchants. In the course of their trade, the merchants began to extend credit to their customers, and in the case of these great banking families, the credit or "banking" part of their operations eventually overshadowed their mercantile activities. These firms lent money out of their own profits and savings, and earned interest from the loans. Hence, they were channels for the productive investment of their own savings.

To the extent that banks lend their own savings, or mobilize the savings of others, their activities are productive and unexceptionable. Even in our current commercial banking system, if I buy a $10,000 CD ("certificate of deposit") redeemable in six months, earning a certain fixed interest return, I am taking my savings and lending it to a bank, which in turn lends it out at a higher interest rate, the differential being the bank's earnings for the function of channeling savings into the hands of credit-worthy or productive borrowers. There is no problem with this process.

The same is even true of the great "investment banking" houses, which developed as industrial capitalism flowered in the nineteenth century. Investment bankers would take their own capital, or capital invested or loaned by others, to underwrite corporations gathering capital by selling securities to stockholders and creditors. The problem with the investment bankers is that one of their major fields of investment was the underwriting of government bonds, which plunged them hip-deep into politics, giving them a powerful incentive for pressuring and manipulating governments, so that taxes would be levied to pay off their and their clients' government bonds. Hence, the powerful and baleful political influence of investment bankers in the nineteenth and twentieth centuries: in particular, the Rothschilds in Western Europe, and Jay Cooke and the House of Morgan in the United States.

By the late nineteenth century, the Morgans took the lead in trying to pressure the U.S. government to cartelize industries they were interested in—first railroads and then manufacturing: to protect these industries from the winds of free competition, and to use the power of government to enable these industries to restrict production and raise prices.

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In particular, the investment bankers acted as a ginger group to work for the cartelization of commercial banks. To some extent, commercial bankers lend out their own capital and money acquired by CDs. But most commercial banking is "deposit banking" based on a gigantic scam: the idea, which most depositors believe, that their money is down at the bank, ready to be redeemed in cash at any time. If Jim has a checking account of $1,000 at a local bank, Jim knows that this is a "demand deposit," that is, that the bank pledges to pay him $1,000 in cash, on demand, anytime he wishes to "get his money out." Naturally, the Jims of this world are convinced that their money is safely *there*, in the bank, for them to take out at any time. Hence, they think of their checking account as equivalent to a warehouse receipt. If they put a chair in a warehouse before going on a trip, they expect to get the chair back whenever they present the receipt. Unfortunately, while banks depend on the warehouse analogy, the depositors are systematically deluded. *Their money ain't there.*

An honest warehouse makes sure that the goods entrusted to its care are there, in its storeroom or vault. But banks operate very differently, at least since the days of such deposit banks as the Banks of Amsterdam and Hamburg in the seventeenth century, which indeed acted as warehouses and backed all of their receipts fully by the assets deposited, e.g., gold and silver. This honest deposit or "giro" banking is called "100 percent reserve" banking. Ever since, banks have habitually created warehouse receipts (originally bank notes and now deposits) out of thin air. Essentially, they are counterfeiters of fake warehouse-receipts to cash or standard money, which circulate as if they were genuine, fully-backed notes or checking accounts. Banks make money by literally creating money out of thin air, nowadays exclusively deposits rather than bank notes. This sort of swindling or counterfeiting is dignified by the term "fractional-reserve banking," which means that bank deposits are backed by only a small fraction of the cash they promise to have at hand and redeem. (Right now, in the United States, this minimum fraction is fixed by the Federal Reserve System at 10 percent.)

Fractional Reserve Banking

Let's see how the fractional reserve process works, in the absence of a central bank. I set up a Rothbard Bank, and invest $1,000 of cash (whether gold or government paper does not matter here). Then I "lend out" $10,000 to someone, either for consumer spending or to invest in his business. How can I "lend out" far more than I have? Ahh, that's the magic of the "fraction" in the fractional reserve. I simply open up a checking account of $10,000 which I am happy to lend to Mr. Jones. Why does Jones borrow from me? Well, for one thing, I can charge a lower rate of interest than savers would. I don't have to save up the money myself, but simply can counterfeit it out of thin air. (In the nineteenth century, I would have been able to issue bank notes, but the Federal Reserve now monopolizes note issues.) Since demand deposits at the Rothbard Bank function as equivalent to cash, the nation's money supply has just, by magic, increased by $10,000. The inflationary, counterfeiting process is under way.

The nineteenth-century English economist Thomas Tooke correctly stated that "free trade in banking is tantamount to free trade in swindling." But under freedom, and without government support, there are some severe hitches in this counterfeiting process, or in what has been termed "free banking." First: why should anyone trust me? Why should anyone accept the checking deposits of the Rothbard Bank? But second, even if I were trusted, and I were able to con my way into the trust of the gullible, there is another severe problem, caused by the fact that the banking system is competitive, with free entry into the field. After all, the Rothbard Bank is limited in its clientele. After Jones borrows checking deposits from me, he is going to spend it. Why else pay money for a loan? Sooner or later, the money he spends, whether for a vaca-

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tion, or for expanding his business, will be spent on the goods or services of clients of some other bank, say the Rockwell Bank. The Rockwell Bank is not particularly interested in holding checking accounts on my bank; it wants reserves so that *it* can pyramid its own counterfeiting on top of cash reserves. And so if, to make the case simple, the Rockwell Bank gets a $10,000 check on the Rothbard Bank, it is going to demand cash so that it can do some inflationary counterfeit-pyramiding of its own. But, I, of course, can't pay the $10,000, so I'm finished. Bankrupt. Found out. By rights, I should be in jail as an embezzler, but at least my phoney checking deposits and I are out of the game, and out of the money supply.

Hence, under free competition, and without government support and enforcement, there will only be limited scope for fractional-reserve counterfeiting. Banks could form cartels to prop each other up, but generally cartels on the market don't work well without government enforcement, without the government cracking down on competitors who insist on busting the cartel, in this case, forcing competing banks to pay up.

Central Banking

Hence the drive by the bankers themselves to get the government to cartelize their industry by means of a central bank. Central Banking began with the Bank of England in the 1690s, spread to the rest of the Western world in the eighteenth and nineteenth centuries, and finally was imposed upon the United States by banking cartelists via the Federal Reserve System of 1913. Particularly enthusiastic about the Central Bank were the investment bankers, such as the Morgans, who pioneered the cartel idea, and who by this time had expanded into commercial banking.

In modern central banking, the Central Bank is granted the monopoly of the issue of bank notes (originally written or printed warehouse receipts as opposed to the intangible receipts of bank deposits), which are now identical to the government's paper money and therefore the monetary "standard" in the country. People want to use physical cash as well as bank deposits. If, therefore, I wish to redeem $1,000 in cash from my checking bank, the bank has to go to the Federal Reserve, and draw down its own checking account with the Fed, "buying" $1,000 of Federal Reserve Notes (*the cash* in the United States today) from the Fed. The Fed, in other words, acts as a bankers' bank. Banks keep checking deposits at the Fed and these deposits constitute their *reserves*, on which they can and do pyramid ten times the amount in checkbook money.

Here's how the counterfeiting process works in today's world. Let's say that the Federal Reserve, as usual, decides that it wants to expand (i.e., inflate) the money supply. The Federal Reserve decides to go into the market (called the "open market") and purchase an asset. It doesn't really matter what asset it buys; the important point is that it writes out a check. The Fed could, if it wanted to, buy any asset it wished, including corporate stocks, buildings, or foreign currency. In practice, it almost always buys U.S. government securities.

Let's assume that the Fed buys $10,000,000 of U.S. Treasury bills from some "approved" government bond dealer (a small group), say Shearson, Lehman on Wall Street. The Fed writes out a check for $10,000,000, which it gives to Shearson, Lehman in exchange for $10,000,000 in U.S. securities. Where does the Fed get the $10,000,000 to pay Shearson, Lehman? *It creates the money out of thin air.* Shearson, Lehman can do only one thing with the check: deposit it in its checking account at a commercial bank, say Chase Manhattan. The "money supply" of the country has already increased by $10,000,000; no one else's checking account has decreased at all. There has been a net increase of $10,000,000.

But this is only the beginning of the inflationary, counterfeiting process. For Chase Manhattan is delighted to get a check on the Fed, and rushes down to deposit it in its own checking account at the Fed, which now increases by $10,000,000. But this

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checking account constitutes the "reserves" of the banks, which have now increased across the nation by $10,000,000. But this means that Chase Manhattan can create deposits based on these reserves, and that, as checks and reserves seep out to other banks (much as the Rothbard Bank deposits did), each one can add its inflationary mite, until the banking system as a whole has increased its demand deposits by $100,000,000, ten times the original purchase of assets by the Fed. The banking system is allowed to keep reserves amounting to 10 percent of its deposits, which means that the "money multiplier"—the amount of deposits the banks can expand on top of reserves—is 10. A purchase of assets of $10 million by the Fed has generated very quickly a tenfold, $100,000,000 increase in the money supply of the banking system as a whole.

Interestingly, all economists agree on the mechanics of this process even though they of course disagree sharply on the moral or economic evaluation of that process. But unfortunately, the general public, not inducted into the mysteries of banking, still persists in thinking that their money remains "in the bank."

Thus, the Federal Reserve and other central banking systems act as giant government creators and enforcers of a banking cartel; the Fed bails out banks in trouble, and it centralizes and coordinates the banking system so that all the banks, whether the Chase Manhattan, or the Rothbard or Rockwell banks, can inflate together. Under free banking, one bank expanding beyond its fellows was in danger of imminent bankruptcy. Now, under the Fed, all banks can expand together and proportionately.

"Deposit Insurance"

But even with the backing of the Fed, fractional reserve banking proved shaky, and so the New Deal, in 1933, added the lie of "bank deposit insurance," using the benign word "insurance" to mask an arrant hoax. When the savings and loan system went down the tubes in the late 1980s, the "deposit insurance" of the federal FSLIC [Federal Savings and Loan Insurance Corporation] was unmasked as sheer fraud. The "insurance" was simply the smoke-and-mirrors term for the unbacked name of the federal government. The poor taxpayers finally bailed out the S&Ls, but now we are left with the formerly sainted FDIC [Federal Deposit Insurance Corporation], for commercial banks, which is now increasingly seen to be shaky, since the FDIC itself has less than one percent of the huge number of deposits it "insures."

The very idea of "deposit insurance" is a swindle; how does one insure an institution (fractional reserve banking) that is inherently insolvent, and which will fall apart whenever the public finally understands the swindle? Suppose that, tomorrow, the American public suddenly became aware of the banking swindle, and went to the banks tomorrow morning, and, in unison, demanded cash. What would happen? The banks would be instantly insolvent, since they could only muster 10 percent of the cash they owe their befuddled customers. Neither would the enormous tax increase needed to bail everyone out be at all palatable. No: the only thing the Fed could do, and this would be in their power, would be to print enough money to pay off all the bank depositors. Unfortunately, in the present state of the banking system, the result would be an immediate plunge into the horrors of hyperinflation.

Let us suppose that total insured bank deposits are $1,600 billion. Technically, in the case of a run on the banks, the Fed could exercise emergency powers and print $1,600 billion in cash to give to the FDIC to pay off the bank depositors. The problem is that, emboldened at this massive bailout, the depositors would promptly redeposit the new $1,600 billion into the banks, increasing the total bank reserves by $1,600 billion, thus permitting an immediate expansion of the money supply by the banks by tenfold, increasing the total stock of bank money by $16 trillion. Runaway inflation and total destruction of the currency would quickly follow. □

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THE FREEMAN
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Reforming Politics in the Age of Leviathan: A Skeptical View

by Michael DeBow

The reform of campaign finance and lobbying is a perennial subject for Americans, particularly those of the "good government" persuasion. The reformers' conventional wisdom on these issues laments the fact that American politicians solicit, and receive, large amounts of campaign contributions from individuals and organizations with vital interests at stake in the political arena. In the conventional wisdom, money is the root of almost all political evil. Most importantly, bad public policies are supported by Congressmen as a payback to their contributors. This baleful result is traced particularly to the activities of political action committees, or PACs.

The Conventional Wisdom Misses the Real Problem

The reformers apparently think that, without the "corrupting" influence of campaign contributions and other lobbying efforts, Congress would make "better" decisions. This position is, in turn, based on an assumption that there is a correct answer to any given public policy question, and that this answer would be rather easily identified and implemented by a Congress freed of the corrupting influences of money and, thereby, acting "responsibly."

This is a delusion.

In virtually every instance, there is no "correct" answer to a public policy question waiting to be discovered by well-meaning officeholders. Exceptions to this rule may well exist in times of war and other national emergencies, but in peacetime there are no clear "answers" to most of the questions that government is increasingly called upon to answer.

To see that this is so, consider the related issues of government spending and taxing. While 90 percent or more of Americans might "agree" that the deficit should be lowered—or at least not increased—they will not agree on how such a state of affairs is to be reached. Should the rate of increase in Social Security benefits be reduced? Should appropriations to Aid to Families with Dependent Children, or National Public Radio, or farm price supports be cut—and if so, by how much? To state the problem is to answer it; there is no "answer." The political process will, of course, generate some sort of answer, but there is absolutely no reason to believe that any answer adopted by Congress is "the" answer.

In seeking to change campaign finance and lobbying methods, reformers are focusing on a symptom of the problem—spending

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to influence government decisionmaking—rather than on the real problem—the vast size and scope of American government.

For roughly the last 60 years, the size and scope of the national government have steadily increased, along with tax rates and the reach of government regulation into many areas of our lives. As a result, the idea that there are, or should be, any limits on the powers of the government has largely passed from the contemporary scene. This is particularly true with respect to the federal government and to the regulation of economic activity. Not only do we not have a national government of enumerated powers as envisioned by the Founders, we have a national government of such unlimited scope that it would be very difficult to agree on an enumeration of powers that it does *not* have.

Do you doubt it? Reflect on the fact that in the recent debate over health care, *no* serious attention was paid to the question whether the federal government has the authority to regulate this area of our lives. Instead, arguments focused on whether such regulation would lead to beneficial results.

In short, Americans have, consciously or unconsciously, rejected the concept of limited government. In its place, we now have Leviathan.[1] The growth of Leviathan triggered a parallel growth in the efforts of private interests to extract favorable treatment from the government. Given the size of government and the virtually unlimited scope of its powers, private interests—businesses, unions, ideological groups, retirees, and so on and on—face tremendous incentives to become active in the political sphere in order to pursue governmentally-conferred benefits and to oppose like efforts put forth by others. From society's viewpoint, all this activity is a waste of resources.

Moreover, the problem of private interest capture of government power is only one problem aggravated by the growth of government power. The other major problem is that massive government power is subject to massive mistakes and miscalculations even in the absence of private-interest manipulation or, indeed, in the absence of any corruption at all.[2] Platonic Guardians can make mistakes, too, and given all that we ask them to do today, we'd be better off with a smaller government than with our current government even if it were staffed with public-spirited experts.

In short, any attempt to reform politics that does not include a serious effort at downsizing government is doomed to impotence.

Campaign Finance Reform Is Not Likely to Produce Positive Results

If you accept my argument thus far, you may still think campaign finance and lobbying reform could do no harm—even if it is likely to have little or no positive effect, given the size and scope of government. Shouldn't we at least try to reform politics, even if we recognize that the real source of our problems is the virtually unlimited scope of government power?

Maybe not. There are several good reasons to reject the view that increased regulation of campaign spending and fundraising, and interest-group lobbying would improve the political process.

First, attempting to limit the effectiveness of political interest groups by regulating campaign finance and lobbying would raise severe First Amendment questions.[3] Bluntly put, the First Amendment was designed to protect the kinds of activities that the good-government crowd seeks to curtail. Given the current state of First Amendment case law, any serious attempt to regulate in these areas may very well be struck down by the courts.

Professor Lillian BeVier of the University of Virginia Law School has argued that First Amendment protection of this kind of "speech" is in fact in the broad public interest.

> "Special interest" groups, and political action committees that they form, are a means of overcoming the collective action

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> problems that [the rational ignorance of most voters] engenders. Because they serve this function, special interest groups may arguably be regarded as benign if not indispensable players in the democratic process. With respect at least to their own particular interests, such groups have the significant potential effectively to monitor legislative behavior and thus to reduce legislative shirking. They convey information to otherwise uninformed and powerless group members about legislative activity and in turn funnel information from the group back to the legislature. Under this view, special interest groups deserve the protection of the First Amendment's freedom of association because of the indispensable role they play in monitoring elected officials.[4]

Put another way, there is simply too much at stake for politics to be conducted without efforts by "outsiders" (that is, the governed) to influence the process, and it is a good thing that the First Amendment case law recognizes this fact.

Second, interest groups "have a number of close substitutes to direct contributions—lobbying, voter mobilization efforts, 'soft money' donations, and so on."[5] Any attempt to regulate independent efforts to advance a particular candidate or espouse a particular viewpoint on a contested issue would be even more vulnerable to First Amendment attack than limits on direct campaign contributions. Thus, interest groups would likely be able to live with and work around, at least to some extent, any new restrictions that did survive First Amendment scrutiny.

Third, it stands to reason that from time to time interest groups will inadvertently represent the interests of most of the general public even as they represent their own private interests. For example, the interest groups that fought the Clinton Administration's health-care proposals represented the interests of the general public at the same time they represented their own private interests. When President Clinton proclaimed that it was his health-care reform against the special interests, most Americans should have cheered for the special interests—which prevailed, in the end. With a government as powerful and intrusive as ours, we should not be too quick to blunt the effectiveness of interest groups who will oppose further accretions of government power. Since almost any given interest group may, on a particular issue, oppose the expansion of government, this point covers a lot of territory.

Fourth, if current efforts at campaign finance and lobbying reform succeed and have a real effect on the ability of interest groups to influence politicians via legal campaign contributions and so on, this would likely increase the amount of under-the-table bribes and payoffs to politicians. Simply put, "meaningful" reform would shift a portion of the market for influence underground.[6] This is simply a result of the fact that government's authority is so great that there will be competition, legal and illegal, for influence over it.

Finally, the conventional wisdom about campaign spending/fundraising may very well be wrong. For example, the line of causation in campaign contributions is often cloudy. Does Interest Group X contribute to Congressman Y because he agrees with them, or does Y agree with them only (largely?) to gain their contributions? Moreover, recent research presents a strong challenge to the conventional wisdom on campaign finance reform. This research brings into doubt the reformers' claims that (1) the incumbents' financial edge over challengers is critically important, and (2) PAC contributions have a substantial effect on the political system.[7] As Harvard economist Steven Levitt put it, "the substantial amount of energy devoted to the topic by the public, the media, and politicians might be more productively channeled towards other issues."[8] While this research will be subjected to further testing and debate, it currently stands as an important reason to hold off on any major attempt to rewrite campaign finance law, at least pending the outcome of further research.

In summary, any effort to reform the

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practice of seeking political influence without first reducing the size and power of government is not likely to have a significant positive effect, and may well infringe the First Amendment and other widely held values. □

1. Gary Lawson, "The Rise and Rise of the Administrative State," *Harvard Law Review*, April 1994, pp. 1231-1254. Lawson describes the "post-New Deal administrative state" as the result of a "bloodless constitutional revolution."

2. For discussions of the types of failure that plague government activity, see Charles Wolf, Jr., *Markets or Governments: Choosing between Imperfect Alternatives* (Cambridge, Mass.: MIT Press, 1993), and Michael E. DeBow, "Markets, Government Intervention, and the Role of Information: An 'Austrian School' Perspective, With an Application to Merger Regulation," *George Mason University Law Review*, Fall 1991, pp. 31–98.

3. Recall that portions of the post-Watergate campaign finance reform statute were struck down as violative of the First Amendment by the Supreme Court's 1976 opinion in *Buckley v. Valeo*. For a good overview of current laws and regulations, see Sam Kazman, "Purer Politics, Greasier Pigs, and Other Wonders of Campaign Reform," *Regulation*, Summer 1992, pp. 62–68.

4. Lillian BeVier, "Campaign Finance Reform: Specious Arguments, Intractable Dilemmas," *Columbia Law Review*, May 1994, p. 1273.

5. Steven D. Levitt, "Congressional Campaign Finance Reform," *Journal of Economic Perspectives*, Winter 1995, pp. 183, 193.

6. According to one observer, "If you were foolish enough to abolish lobbying, you would only drive it underground, where it would be far more abusive and corrupting than it is in the open." Jonathan Rauch, *Demosclerosis: The Silent Killer of American Government* (New York: Random House, 1994), p. 159.

7. Levitt, pp. 188, 192.

8. *Ibid.*, p. 192.

Why Is It Nature versus People?

by Tibor R. Machan

The environmentalist lobby in Washington is working overtime these days moaning over the prospect of reduced-budgets and rolled-back regulation.

Don't get me wrong. I do not dismiss everything scary coming from ecologists. Human beings can be reckless and destructive, although I doubt our worry should be about the environment instead of ourselves. After all we can flourish only if there are no great disasters, whether of our own making or through climatic happenstance.

What makes me doubt the complete sanity of many environmentalists is their constant insistence on reading human life out of the rest of nature. As if we were not natural and did not belong with the rest of the world—indeed, as if we had been dumped into reality by some runaway garbage truck disposing of unnatural trash.

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The plain fact is that we are every bit as natural as are ants, snail darters, spotted owls, or wetlands. We are the crown of creation, the highest level of nature attained in the known universe. What's more, this means that housing developments, too, are part of nature. As are high-rise buildings, bridges, disposable diapers, and even nuclear waste.

Part of the rhetoric that gives environmentalists the apparent moral high ground concerns the supposed conflict between the sacrosanct natural versus the lowly artificial, technological, and "man-made." I am sure we all have heard instances of this blather, as when some program on the Discovery channel proclaims that some part of nature has been undermined by, you guessed it, "MAN"!

Yet, consider this: when a zebra is destroyed by a lion, it isn't depicted as the sad demise of some natural thing at the hands of an alien, unnatural force. When hurri-

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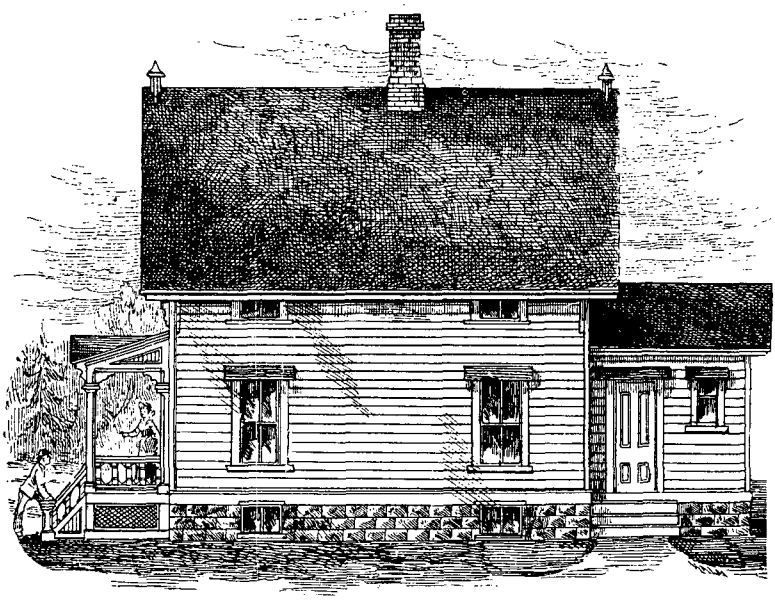
canes, volcanoes, typhoons, or tornadoes wreak havoc across the globe, these are accepted as natural events, to be lamented as only minor disturbances, not ecological disasters. Oh, once in a while even these are traced in some incomprehensible, remote fashion to alleged human misconduct. (But just how that is conceived by the finger-wagging environmentalist crowd is rather bizarre. Most of those scientific types don't really believe in freedom of the will, in the capacity of human beings to make real choices! So how then can they blame us for anything?)

In fact we are every bit as much a part of nature as those wetlands the environmentalists wish to protect from us. Why don't they go out to protect other parts of nature from, say, termites or floods? Why they are unwilling to read out of this world everything else that changes the surrounding environment is one of those puzzles these folks simply refuse to address.

What makes sense is that human beings are a different natural phenomenon from, say, volcanoes and foxes, to name just two natural beings that cause some destruction here and there in the universe. But remember, birds are different from fish, and fish are different from rocks, and so forth and so forth. The fact that human beings manifest even radical differences is by no means unprecedented. Nature repeatedly keeps introducing such variations, nothing strange about that any more.

But no. The environmentalist crowd keeps treating the novelty that we are as freakish, alien, undesirable. Housing developments are not natural, nor are freeways, parking lots, or dams. Why? Well, there is no answer given to that question because the idea is obviously nutty. What a natural being does is by definition natural. It happens that doing wrong is new—other beings do not do the wrong thing, that's reserved to human nature. But it's natural, too. It is our task to avoid doing wrong, to keep doing right, but the problem is not between natural versus non-natural or anti-natural.

The whole rhetoric of environmentalism needs to be recast into terms that make better sense. Let's not exclude human life from the realm of nature. Then we can ask whether it is the right thing for us to build houses, bridges, dams, parking lots, or nuclear power generators. Those are real issues. The nature versus human beings story is a phony one, through and through. □



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THE FREEMAN
IDEAS ON LIBERTY

No-Brainer

by Russell Madden

In a recent issue of *TV Guide* the actor LeVar Burton was quoted as saying that, "The attack on PBS by the new Congress is a no-brainer. Anyone who opposes funding for PBS and does anything to discourage kids' programming should have their [sic] head examined." He went on to say that "[It's] the only commercial-free environment where parents can be assured that children will be introduced to their ABCs without someone trying to sell them something."

Mr. Burton, of course, has a vested interest in PBS: he is the host of "Reading Rainbow." This show introduces young readers to children's books in the framework of mini-documentaries on various historical and cultural topics. I've enjoyed watching the program myself on occasion. I know of few who would disagree that the show is both fun and educational.

Mr. Burton's comments and criticisms, however, reveal some common issues—and common errors—raised by nearly all defenders of the status quo in governmental funding. This includes questions regarding not only PBS, the National Endowment for the Arts (NEA), and school lunch programs, but every governmental bureau, department, and office delivering goods and services to the American people. Whether it's providing welfare, home or student loans, farming and business subsidies, or regulating the nature and supply of drugs and health care, the same fundamental mistake propels them all. By advancing the type of argument he does, Mr. Burton not only muddies the discussion regarding spending cuts but indirectly teaches children a damaging moral lesson they are ill-equipped to resist.

The easiest part of his complaint to address is his concern about maintaining "the only commercial-free environment" for children to learn the alphabet. Leaving aside his implicit and unwarranted attack on the role and influence of business in our society, I think it's reasonably safe to say that many preschoolers still learn their ABCs at nursery school or at home. I would hope that parents in this country have not yet entirely abrogated their responsibility and handed over the minds of their children to the tender mercies of the tube. *Pace* Mr. Burton, but most parents are quite capable of pushing in an off-button and sitting down with their offspring as they struggle with the intricacies of memorizing the alphabet.

Giving Mr. Burton the benefit of the doubt, we can assume that his anger reflects not an amazing arrogance when he suggests that opponents of federal PBS funding "should have their head examined" but arises from a genuine concern for the continuation of a worthwhile good. Here we come to the crux of the problem for all of those well-intentioned people who oppose slashing federal, state, and local programs. While there are those who engage in such heated rhetoric because they fear a lessening of their power or the outright loss of their jobs (as reflected in the title of an old book by Shirley Scheil, *Poverty Is Where the Money Is*), many people are sincere in their objections.

Unfortunately, supporters of government-funded television forget (or never recognized) that the real issue is not whether the shows on PBS are worthwhile. Few individuals would disagree, for example, that city parks, public libraries, good health care, or any number of other things are of value (at least to someone).

Critics of government spending waste their time debating the relative merits of this program or that; of defending their desire for

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cuts by stating that they aren't really cutting total dollar amounts but only the rate of increase; or by promising that few people will suffer over the long run. Many of the points made by proponents of government spending are true: concerts and plays are wonderful to attend; Medicare and Social Security provide financial support to many who would experience hard times without them; parks are wonderful places for a relaxing picnic or hike. I've seen evidence to support all those claims and more.

Yet in this issue the mere desirability of a particular good or service is totally irrelevant.

The End Never Justifies the Means

What *is* at stake now and always in any discussion of what programs should be managed by government is the principle of voluntary choice and action. It is this guideline which determines the proper scope of government on any level. Those who champion choice must answer the charges of their opponents that they are mean-spirited, callous, and heartless with a simple moral declaration that rests at the heart of any valid ethical system: *The end never justifies the means.*

Whether an individual desires a new car, fully funded health care, or an expanding space program, a person is never justified in obtaining such values except through mutually voluntary choice and action. The initiation of force is always wrong. Period.

People should not be coerced to hand over a part of their wealth, time, and effort—that is, they should not be forced to surrender even a tiny portion of their lives—in order to satisfy the needs, wants, and desires of anyone else, whether that person acts for himself directly as a private individual or indirectly in the guise of government on behalf of himself and/or anonymous others.

Need is not a claim on wealth.

Apparently proponents of government spending think otherwise. Rather than try to persuade people to pay voluntarily for such worthwhile goods as "Reading Rainbow," day care facilities, or college educations, they apparently prefer the more "expedient" route of pointing the figurative gun of governmental power at our heads and rifling our pockets while our hands are in the air. Yet no one has the right to steal even one minute of someone else's life, to make anyone even a part-time slave.

Unfortunately, the existence of such a "right" is precisely what our children are learning in today's society: that if you sincerely want or need something and would have a diminished lifestyle without that value, then it is perfectly acceptable to force other people to give it to you regardless of what those others want. Given such a "morality," it is small wonder we see private criminals committing their offenses with little or no remorse as they emulate the implicit lessons of their cultural and political leaders.

It is ironic that these same leaders decry the mounting levels of violence in our society. They point denouncing fingers at movies and television and talk shows as the initiating culprits without ever realizing their own roles in morally sanctioning and promoting the very abuses against law and order they abhor.

It is even more ironic—and sad—that most of those who find themselves victims of private crime clamor for the government to commit on their own behalf the same kind of criminal behavior against otherwise law-abiding citizens. In such a topsy-turvy world, everyone becomes a slave to everyone else without ever recognizing his own culpability or the invisible shackles which bind him.

Perhaps someday people will cease to argue about the importance of this "entitlement" or that one and focus once more upon the principle that should guide them in deciding how to act in any aspect of public (or private) life: the end never justifies the means.

That idea should be a no-brainer. □

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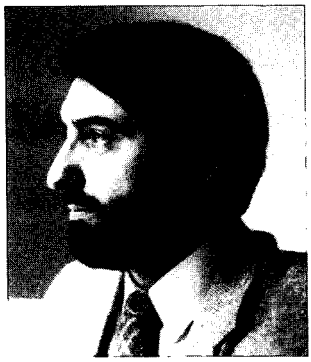

Marketing Individualism

I am sometimes asked: How can one "mass-market" a provocative—even unpopular—philosophy, while still maintaining one's own integrity? How can one popularize, without subordinating oneself to whatever happens to be popular?

To answer, let me give an example that should cheer *Freeman* readers.

October 1995 marks a milestone in the history of the Foundation for Economic Education. For the first time in its half-century history, select books produced by the Foundation will be available for purchase in mainstream bookstores.

This effort will begin with publication of a revised hardcover edition of my *Criminal Justice?*, plus two new volumes: *Forgotten Lessons: Selected Essays of John T. Flynn*, edited by FEE's own Gregory P. Pavlik; and *The Foundations of American Constitutional Government*, an anthology of *Freeman* essays. By next Spring, a half-dozen new titles will be added to the list of FEE's "trade books." Many more will follow.

Not all FEE titles will be *stocked* in bookstores: buyers may have to special-order some of them. But our eventual aim is at least to make all FEE books *available* through bookstores. And select titles will, in fact, be displayed prominently, and promoted heavily.

Why this change? FEE has a long tradition of publishing and educating quietly—of having students of liberty make the effort to seek out its offerings. And there is undeniable merit in an unobtrusive approach to education: it tends to screen out many whose interest is only superficial.

The growing problem with this approach, though, is the "information overload" of modern society. Today, people are bombarded with a glut of information from media that never before existed. FEE was organized even before television became popular. Now, cable TV brings scores of channels into our homes; movies are available not just in theaters, but on video cassettes; a host of specialized magazines are launched each year; computers have made many homes "off-ramps" on the Information Superhighway; chain bookstores have proliferated in every shopping mall; and books themselves are widely available on tape.

Trying to be heard in this rising clamor is a daunting task. Just as we all must compete in the economic marketplace, organizations such as FEE must compete in a "marketplace of ideas." That realization prompted Dr. Hans Sennholz, FEE's president, to decide that the Foundation had to revamp and modernize the way it markets its books.

Some may now worry: Will FEE's efforts to aggressively mass-market books cause it to "water down" its principles? Or, to

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reiterate the question posed at the opening of this message: How can we market a provocative, even unpopular, philosophy, while maintaining its—and our own—integrity?

It is an understandable concern, based on a common misconception.

A frequent accusation against capitalism is that there is a conflict between the demands of the marketplace, and one's individual integrity. To thrive in the market, some argue, one must subordinate personal values and standards to popular tastes and whims. Capitalism, this argument goes, therefore tends to produce a society of *conformists*, rather than *individualists*.

But properly understood, there is no conflict between capitalism and individualism—between success and integrity.

As Ludwig von Mises and other great free-market thinkers have often pointed out, the demands of the marketplace tend to make people more cooperative. One's economic survival and/or level of success depend on his willingness and ability to satisfy some market demand. The need of businessmen for customers and partners, of workers for jobs, of consumers for suppliers of goods and services, tends to make people "put their best foot forward" in order not to alienate others needlessly.

However, simple cooperation and basic civility are not the same thing as abject conformity. To abide by the required *forms and manners* of society, does not mean one must sacrifice the *content and meaning* of one's own principles.

For example, many changes have been imposed on FEE by the need to meet bookstore requirements. Books ordered via catalogs or mail order—FEE's traditional sales methods—do not need fancy covers or much publicity. But vigorous competition for limited space on bookstore shelves places special demands on trade book publishers.

To be noticed in stores, book covers must be eye-catching and attractive. To entice casual browsers to buy, the covers also must be loaded with persuasive advertising copy and endorsements.

In addition, with thousands of volumes to choose from, store managers stock only titles most likely to sell. Thus, they prefer books whose subject matter is popular, whose authors are well-known, and—most importantly—whose publishers are willing to promote and advertise their books, generating customer awareness and interest.

Clearly, not all FEE books have "popular" subject matter. But does this mean that FEE must now publish only "popular" books, or water down the content of its works?

Not at all.

The free market actually consists of many "sub-markets"—specialized markets for an infinite variety of goods and services. Not all books are cut out to be bestsellers. But that doesn't mean they're not worth publishing. Just because *Human Action* is not a "mass-market" book doesn't mean FEE should not publish it. There will always be a market for more challenging theoretical works, even though that market may be a modest one.

FEE will continue to produce titles of more specialized appeal, and to sell them through its traditional outlets, rather than through bookstores. For select titles having broader appeal, however, FEE has begun to revamp their appearance, and to launch ambitious publicity campaigns, so that they can be marketed effectively through mainstream book trade channels.

But to move into the mainstream book trade, the Foundation need not change its identity or compromise its principles. Our goal is to market the freedom philosophy more effectively—not to make the freedom philosophy "more marketable."

So there is no contradiction between publishing titles of broad appeal, and publishing works of more limited appeal. Similarly, there is no contradiction between the demands of the marketplace, and the need to maintain one's identity and integrity.

No one need sacrifice his principles in the pursuit of popularity. To the contrary: precisely because the principles of individualism and integrity are such rare commodities these days, their market value has never been higher. □

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THE FREEMAN
IDEAS ON LIBERTY

The Internet: New Technology, Old Law

by Mark Goodman and Mark Gring

An open, public debate of issues has been a framework for American government since the Pilgrims wrote the Mayflower Compact on the second day they reached North American soil. In the twentieth century, the U.S. Supreme Court identified this "marketplace of ideas" as the cornerstone of American democracy (*Brandenburg v. Ohio*, 1969; *Abrams v. United States*, 1919).

Unfortunately, the evolution of mass media in America in the last 70 years has led to the formulation of a system which controls or limits, under the guise of "public interest," the voices heard in public debate.

The American public has found its own voice on the internet. In fact, the internet has become the most fertile ground in history for the marketplace of ideas. The internet is a worldwide venue for discussion of ideas on a plethora of topics and a variety of voices. Anyone can contribute an idea, have it debated, argued, and challenged.

The United States is too large for a town hall meeting. Television can reach the mass audience, but then the networks decide whom and what we hear. On the other hand, the internet allows people to broadcast their ideas to a mass audience to be heard and discussed or ignored and forgotten because of a lack of interest.

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Yet today Congress is in the process of writing legislation that may again limit the voices on the internet to a select few. To understand the situation in the 1990s, we need to go back to the 1920s and the early days of radio.

Originally radio broadcasting was an open marketplace. By sending a postcard to the Secretary of Commerce, Herbert Hoover, anyone could build a radio transmitter and talk over the airwaves to anyone else who had a radio set turned on. This was consistent with the traditions of the marketplace. Radio turned the town hall meeting into a coast-to-coast discussion group.

One indication of the power of this new medium to influence people to change public policy came toward the end of World War I. President Woodrow Wilson used a 200,000-watt transmitter in New Brunswick, New Jersey, to directly appeal to the German people to accept his Fourteen Points as a basis for a peace treaty. (See the account by media historian Erik Barnouw in *A Tower in Babel*.) The German people dumped the Kaiser and the new democracy asked for an armistice.

David Sarnoff envisioned a different future for AM radio. Sarnoff, president of the Radio Corporation of America (RCA) and founder of the National Broadcasting Corporation (NBC), thought of radio as a medium for entertainment and entertainment as a justification for advertising.

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Amateur voices literally interfered with the ability of national broadcasters to bring music, the soaps, and advertising to American homes. Anyone broadcasting could change frequency, power, and hours of broadcasting, making it impossible to create a coherent radio listening schedule at a set location on the dial.

By 1927, Congress was writing legislation to sort out the radio signals and used the opportunity to shutdown the cacophony of voices being broadcast. To do so, the First Amendment had to be redefined by a group interested in increasing governmental regulation of American society.

The Progressives in Action

Progressive political reformers controlled Congress in 1927. Progressivism led to many changes in American democracy between 1880 and 1930, including direct election of the U.S. Senate, the right to recall elected officials and to place items on the voting ballot through initiative petition, and the right to change government policy through a referendum.

The Progressives sought to bring a moral tone into all branches of government by having college-educated "experts" make decisions. If experts made decisions through federal regulation, then neither the supposedly dangerous monopolistic practices of the corporate trusts nor the socialistic politics of the impoverished urban immigrants could control the American political, economic, or social systems. The values of middle-class America, the Progressives argued, would be protected by the "disinterested public servant."

This is the philosophy of government the Progressives imposed on the radio debate in 1926. In writing the Radio Act of 1927, Congress put almost unchecked power—judicial, executive, legislative—in the hands of a public board, the Federal Radio Commission. In the language of the law, Congress told the FRC to operate radio broadcasting in "the public interest, convenience, and necessity." These words were never defined specifically in the law, but the Congressional debate helps explain what was intended.

In order to create order out of the chaos of the airwaves, Congress redefined freedom of speech from having the right to speak to having the right to listen. Scrapping the traditions of the First Amendment meant that a handful of voices would dominate the airwaves to the detriment of the Republic. To prevent a monopoly of voices, Congress told the FRC to apply the public-interest standard to radio.

The Fairness Doctrine

Broadcast licensees had no right to express their views on radio unless all sides of the issue were granted equal rights to the airwaves. The effect of the Fairness Doctrine was to limit public discussion of issues on the radio since broadcasters would potentially have to give away valuable air time to anyone wishing to speak.

Congress also mandated that broadcast licenses should go to the applicants who would best serve the "public interest, convenience, and necessity." In seeking a license, the applicants had to describe their programming to the FRC. Station managers were ordered to keep a log of programming to show that they were operating in the public interest. Licenses could be revoked or renewal denied if the FRC decided that the applicant had not followed the programming described in the license application.

In effect, the FRC could apply the "public-interest" standard to limit the marketplace of ideas to viewpoints which coincided with its mainstream views of what served the public interest. Since no broadcasters knew how the public-interest standard was going to apply in their situation, the safe course was to remain in the mainstream.

Congress made minor changes in the Radio Act in writing the Communications Act of 1934. Television and telephone, as well as radio, came under the authority of the Federal Communications Commission, which replaced the FRC. Otherwise, the new act was copied verbatim from the Radio Act, including "public interest, conve-

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nience, and necessity." American broadcasting is still regulated under the Communications Act of 1934.

Congress is in the process of trying to replace the 1934 law with legislation that would encompass the new technologies, such as the internet and satellite broadcasting. The public-interest standard remains the cornerstone in the new legislation Congress has considered thus far.

If applied to the internet, a public-interest standard would be an invitation for big government advocates to control the type of information that flows on the internet. Instead of being a marketplace of ideas, the internet could become a banal forum as computer servers become reluctant to open debates on controversial subjects out of fear of being closed or fined. Like radio and later television broadcasters, the internet could be a place where only the uncontroversial is attempted and deemed acceptable.

Does that mean that everything on the internet should be unregulated? Will not pornography, money scams, hate groups, and fraudulent advertisers proliferate? Should the federal government gain unlimited power to regulate this contemporary marketplace of ideas?

Many abuses can be controlled by users and computer service providers. Users can put pressure on server providers to make moral decisions rather than letting government decide what is moral. The marketplace can insist that offensive materials be removed. In essence, the marketplace is self-regulating. Just read the e-mail that follows when someone violates netiquette.

Computer services are also self-regulating. Many university computer servers already restrict access to materials deemed inappropriate. Commercial servers select which services their subscribers have access to. When necessary, existing laws have been enforced, particularly on pornography, pedophilia, copyright violations, and fraud.

A general regulation of the marketplace of ideas by applying "public interest, convenience, and necessity" to the internet will lead to federal intervention in and potential infringement on free speech. □

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THE FREEMAN
IDEAS ON LIBERTY

A Report Card on Charter Schools

by Candace A. Allen

A year ago I resigned from teaching in a local high school to accept a position at a new charter school. Charter schools seemed to promise the greatest chance of fostering market reform within public education. I believed that if given the power, a few very dedicated and talented teachers and a small administrative staff could bring about innovative educational changes and create an outstanding school.

Though I have never worked with a more dedicated group of well-intentioned people, I have become skeptical that charter schools can bring systemic change to public education. While I do not claim the ability to predict the outcome of any particular charter school, I now realize that at best only marginal change within public education is possible through charter schools.

A charter school is defined as a semi-autonomous, publicly funded school operated by a group of parents, teachers, and/or community members under a charter with a local school district board of education and/or an outside group, such as a university. At present, 12 states have passed many variations of charter-school legislation, some granting more autonomy than others. Each charter sets forth the school's goals and philosophy, the basic curricular structure, governance, and operational procedure, and is intended to ensure less bureaucratic tethering to state and federal regulations.

Proponents of charter schools claim that the power base of schools must shift from government to parents as consumers of their children's education. Comparing charter schools to private schools as examples of consumer choice, advocates hope that democratically administered, site-based charter schools can offer greater choice in learning environments with little outside interference. Voluntary enrollment should be designed to attract "customers," thus introducing competition into the system.

On the surface, then, the vocabulary of the market (customers, autonomy, competition, choice) draws those who view state education as needing reform and who favor market allocation of educational resources. But just because a list of market vocabulary words can be applied to charter schools doesn't mean that the grammar and syntax of the market are present and operational. I have discovered in my short charter-school career that many of the basic limitations of regular public schools are also inherent in charter schools.

The Attitude of Compliance

Most people can't imagine what "school" would be like if it weren't public. Acceptance of "the way things are" reflects a pervasive attitude of compliance in our state-run educational system. Just as this

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attitude has plagued market-reform efforts in former Communist countries, so it hampers educational reform efforts in the United States. Dismantling our bureaucratic system of education will be difficult because the power structure has been in place for so long.

The attitude of compliance, subtle and covert, has created passivity among parents in the way they view their role in change. The gradual evolution of bureaucratized educational practices in the United States has fostered the abdication of the family's sense of responsibility to educate its own and has led to the general dependence on the state as the primary educational care-giver.

In a recent conversation with a fifth-grade parent at my school, I discovered that her daughter's teacher was reluctant to allow the girl to be moved into a higher math class because she had missed too much school. Even though the youngster had an "A" recorded in math, and even though the parent and the student wanted a more challenging math curriculum, the parent hadn't considered that she could question an "educational expert." When I asked what she thought her role in the situation was, she paused and stumbled over the words, "I hadn't realized I had a role."

Nuances of this submissive stance appear in one of the major admission requirements of our charter school. Parents must show that they are ready for already defined responsibility by signing an agreement supporting homework policies of all teachers, a minimum 18-hour school volunteer service, and other school-determined policies. In other words, if parents want their students in our school, they are expected to sign an agreement of compliance. Being forced into this position ultimately leaves parents resistant or defensive. What's equally devastating is that parents next year will be expected to "police their own" by deciding on a "policy of consequence" for parents who do not live up to their agreements.

Teacher Knows Best

Just as the attitude of compliance has created passivity in the way parents view change, so it has created a certain arrogance on the part of teachers (and administrators), especially in their expectations of parents. In a discussion at a faculty meeting, several of the teachers were confused by the apparent lack of interest by parents to serve the 18 pledged volunteer hours. Two teachers wondered if we could "force them to do what they are supposed to do for us."

A few weeks ago, I spoke with one of our elementary teachers who had just finished coordinating the school's book fair. I asked her if parents had been involved. She said that she had phoned almost all of the parents in her class, but that they had either already contributed their mandatory service hours or they were too busy to do so now. She convinced one parent to work for part of a day, but that parent said that she preferred to volunteer for her other child's Head Start school (a federally funded preschool) because she earned "volunteer bucks," redeemable at a local home supplies warehouse. If she were compelled to volunteer, she preferred tangible reward. Like many parents, this mother saw no relationship between doing mandatory volunteer work and taking an active role in her child's education. The teacher involved was disgusted that, once again, parents were letting the school down. I realized that no one has seriously challenged the paradigm that those who "know best" for parents, children, and for schools are the members of the educational bureaucracy.

The pervasive but subtle attitudes regarding role expectations permeate almost everyone's assumptions about reform. These attitudes play out in predictable ways in my charter school, just as they do in regular public schools; parents and students get what they get and teachers are surprised that they aren't happier about it than they are.

Often unrecognized, these attitudes mask their causes, which are the constraints that hold charter schools firmly in the government-controlled education bureaucracy. These constraints involve (1) the source of charter school funding, (2) regulations inherent in government control, and (3) the lack of market accountability.

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Funding

The first bureaucratic constraint pertains to the funding of public and charter schools. Through taxes, parents and non-parents alike pour money into government coffers, and that money is pooled into funds not specifically earmarked for education. No one can say how much education costs any given taxpayer, but generally the taxpayer knows that her dollars will not count as votes in the way her child is educated. State funding perpetuates the compliant parental attitude. Not surprisingly, parents aren't as closely involved in their children's education as they most likely would be if their dollars went directly into a specific school of choice rather than into taxes, and if, because of that direct payment, they could assume more responsibility as customers. Surely, as responsible customers and parents, they would be more than homework monitors, overseers of their children's attendance, or school volunteers.

Even if a family knew what it was paying for education, it is too costly at the margin to protest a policy or philosophy of a school. If one family or a small group of parents came into my school claiming that they didn't want their children to be a part of, nor did they want to pay for, "multi-age," "interdisciplinary," and "untracked" classes, they would be pacified and sent away with a promise that a multi-age, interdisciplinary, and untracked curriculum is beneficial to their children. Parents do not demand nor expect customer sovereignty, and ultimately leave the major decisions to the educational bureaucracy.

Regulations

The second major constraint of public/charter schools relates to these funding-source problems. Because funding comes from the state, all public and charter schools are regulated by various levels of government, though charter schools may apply for waivers from certain types of regulations. For example, non-certified people are allowed to teach some classes in my charter school. But the heavy-handed state regulations remain. For example, in Colorado all public schools are required to apply the state curriculum standards, and soon will need to meet specified requirements in the assessment of those standards.

Probably the most binding regulation is that of universal mandatory education for all students aged 16 and under. This is the ultimate sanction for government knowing what is best. It means that parents have little say in what "school" is going to mean, nor do they get to decide how much or what kind is enough or appropriate for their own children. In practical terms, what compulsory education means is that many kids are in school who do not want to be. This necessarily affects educational programs negatively because those forced to go to school obstruct the learning of those students who do want to perform.

These two limitations have severely hindered teachers in the upper grades at our school who held high expectations and grand plans to deliver our seventh-, eighth-, and ninth-grade students a quality education. Many parents brought children who previously had performed poorly to our school with the hope that they would be cured of their non-performance. Those very students have demonstrated clearly that they can continue their non-performance in their new setting, and can interfere with the education of those who want to be there. Bound to the idea that school as we know it must be administered to students in measured doses makes parents, teachers, and students unable to imagine what a true market in education could be like.

Not only do a myriad of other types of regulations still bind charter schools tightly to the category of "public schools," but also local micromanagement by school boards create even more discretionary power for those boards as public education trustees. In another city in Colorado, a new charter school was warned by the school board that its start-up problems had to be corrected in specific ways within 30 days or its charter would be revoked. Rather than allowing parental or even school discretion in deter-

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mining the seriousness of the problems (one of which was that no textbooks were being used), the particular school board intervened and imposed an arbitrary solution in the matter. Efforts to create market incentives through deregulation could only be successful if sources of funding were private rather than public.

Accountability

The third constraint of public/charter schools is that of the lack of accountability. All tenured teachers and the dean at my school are guaranteed same-salaried jobs back in the regular system should any of us decide to return. No job security risk is involved, nor do we have to compete to retain a certain income. Though we all face pressure to be innovative, our jobs do not depend on whether the charter school succeeds or fails. Other than being scolded for "being too much in the box of the old ways," no real penalty exists if results are not produced. The risks associated with failure are present only in the marketplace.

Also, because merit pay is viewed by teachers as disharmonious, monetary incentives offered for innovative behavior are deemed inappropriate. Not only did the majority of the faculty at my charter school vote to make our professional evaluations as "threat free" as possible, they also plan to implement self-designed, personalized evaluations to "equalize" faculty, hoping to promote an environment of trust and respect. Ironically, though we are not tied to a union contract at the charter school and most teachers have given up union membership, the tendency to protect our own interests is just as strong as it is in those who protect their interests by being union members. Teachers who are having obvious difficulty performing are protected by lengthy procedures for dismissal. We tend to see ourselves, rather than parents and students, as the rightful decision-makers in employment decisions.

A second accountability issue relates to the unlikely possibility that school district administration will allow charter schools to fail if these schools have been publicly endorsed. Because our school district and the university (our charter holder) have forged an official "alliance," pledging support for K-16 education, both benefit by any claim to success we make. Thus, it is in both the university's and the district's interests to prevent failure, or the public admission of it.

However, assuming that parents decide to "vote with their feet" and leave a charter school, the effects will be different than if education were bought and sold in the marketplace. In the market, failure is necessary for resource allocation. But if it occurs in the public education arena, resources will be rechanneled right back into the bureaucracy from which it was intended to break free. To make matters worse, teachers' unions will politicize the failure as a vote in favor of "regular" public schools.

A third accountability problem stems from the belief in teacher empowerment. In our school, teachers are jacks-of-all-trades, all with consensual say, taking on such administrative tasks as scheduling, writing curriculum, and designing all policies. Empowerment has been the goal of all of us for years. "Just free us from the administrative stranglehold and we will be able to make a school run right!" But I have learned that the empowerment philosophy assumes that well-meaning teachers can manage a school resourcefully, and at the same time teach effectively. It assumes that teacher creativity should be unharnessed without administrative restraint. Because public educators don't face the real world threat of possible failure and loss of employment, their creative and entrepreneurial efforts are not bound to the rules of the marketplace. When teachers are empowered, what can stop a bad idea?

Charter schools, like their sister public schools, will not break education open to market forces. But as more and more private groups find ways to crack open the educational monopoly to offer educational substitutes, a new group of schools will enter the scene. Schools that operate for profit will begin to offer new products and services that

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may differ dramatically from those of public and non-profit schools. In other words, as new schools for profit enter the picture, with some failing and some succeeding, new methods of educating children will emerge. The successful schools may or may not be multi-aged, interdisciplinary, standards-based, or whatever present educational fad dominates. The faculty may or may not be consensually involved in site-based decision-making, and may or may not be restricted to classroom teaching only. It all will depend—on the market.

For the time being, many charter schools will emerge, vowing to make great improvements in public education. And just as pockets of program success and outstanding individual teachers can be found within many public schools, so they will be found in many charter schools. Time will tell whether the charter school in which I teach will make marginal improvements in our educational community; certainly I hope that it does. Charter schools will temporarily cast the appearance of consumer choice, but it must be remembered that they are publicly financed, which guarantees burdensome regulation. This prevents market feedback, including reward for entrepreneurial achievement, or failure and loss for unworkable ideas and poor management. Real competition with public education is yet to come, but in the meantime, the cosmetic change currently on display at charter schools will be passed off as systemic change. □

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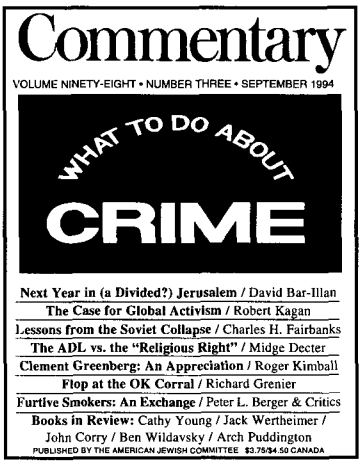
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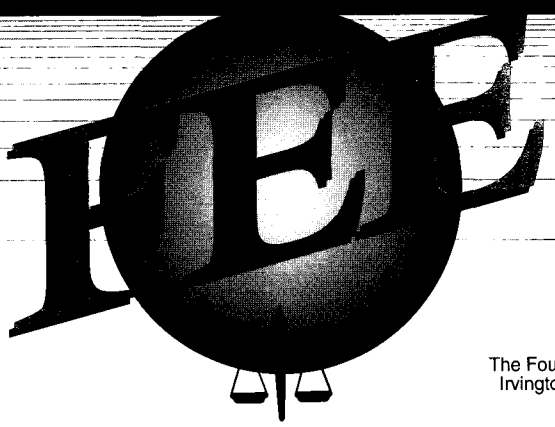

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October 1995

Misplaced Hope

The welfare state thrives on the toils and talents of its productive members. It is an exploitation state that builds on political force and, in the end, is bound to self–destruct. When confiscatory taxation and onerous regulation become intolerable and the abuses of government are insufferable, many good citizens rise up on election day and put their faith in the opposition party. They may succeed in removing the incumbents from positions of power and elect the critics and opponents. Many others who feel exploited and abused by the system despair of the political process and seek an escape.

Some victims descend into the underground economy where income is not reported. Or they defiantly embark upon production that violates political mandates such as government licensing, inspection and label laws, labor laws, export and import controls, money and banking regulations, and countless others. Some may try to "get even" by collecting entitlement benefits even while they are laboring in the underground.

The fugitives may react against abuse and exploitation not only in their political and economic lives but also in their very attitudes toward government. In desperation, they may conclude that **the transfer laws and regulations are immoral and that which government makes illegal may actually be moral**. Some may even question the viability and morality of the democratic form of government itself. When millions of people who were once loyal and law–abiding citizens come to look upon democratic government as a consummate body of immorality, then society faces a social crisis.

Political attempts at "rolling back" the exploitation system are likely to fail when the majority of voters derive their livelihood from transfer funds or reap popular benefits from the system. In the United States this point has long been passed. The youth generation claims a birthright to educational benefits from the nursery to graduate school. The elder generation claims a vested right to Social Security and Medicare benefits. And millions of middle–aged Americans thrive on government payrolls or subsist on public assistance. Government employment now exceeds that of all American manufacture.

Roll–back administrations face great difficulties and insurmountable obstacles. They have to take unpopular measures which actually give aid and comfort to the political opposition. Every step denies someone his "entitlement" or special privilege, providing grist for the critics' mills. Short–term legislatures and administrations are unable to roll back the entitlement system which, like a malignant tumor, has slowly penetrated and poisoned the body politic. Roll–backs are symptoms of crises of the exploitation state which moves in waves, rolling on for long periods of time, and rolling back briefly and fruitlessly. They afford an opportunity to the entitlement coalition to regroup and prepare for another advance.

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Unable to reverse the course, many welfare states are approaching the ultimate crisis: the debt crisis. When the burden of government debt seriously impedes the entitlement spending, when interest payments on the pyramid of debt hamper the entitlement programs, the transfer forces face a new task: the reduction of the debt. It cannot simply be repudiated because this would devastate the financial structure that rests on $5 trillion of federal debt. It must be distributed among all subjects with income and wealth either through gradual currency depreciation, through capital levies on private property, or both. Inflation, which is a common method of debt depreciation, places the burden primarily on the owners of money and claims to money.

The debt crisis is hastening the coming of a new political and economic system in which national governments lose their exploitative powers and legal importance. The phenomenal technological innovations in recent years, especially those in communication and transportation, have ushered in the "Information Age" which has fostered a vigorous world market of ideas and entrepreneurship. Markets have sprung up virtually everywhere, internationalizing commerce and capital and depriving governments of their restrictive powers. They have given productive capital unprecedented mobility, allowing it to escape exploitation and confiscation with the speed of E–mail.

The internationalization of information and entrepreneurship has generated intense competition for liquid capital, managerial ability, and technological knowledge. As multinational corporations emerge and multiply around the globe they become the principal competitors for the most productive locations. They are capable of observing and adjusting to institutional conditions, forcing national governments to compete with each other in their legal institutions, their tax systems, regulatory structures, monetary order, labor legislation, etc. **Exploitative governments obviously fare poorly on the competitive world scene; their exactions are manifested in economic stagnation, rising rates of unemployment, falling wage rates, and lower standards of living.** Exploitative governments clearly show themselves in the light of international competition.

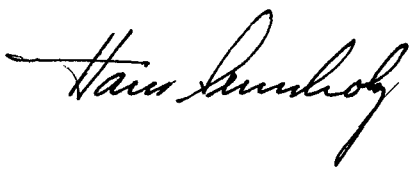
Ironically, productive capital is finding protection from the depredations of national governments in those international markets that are spontaneous, unregulated, and devoid of sovereign law and power. International markets function smoothly and efficiently outside the law, safeguarding private property from the exploitative aspirations of governments which were supposed to protect life and property.

As the world markets are growing in scope and strength, the coercive powers of national governments are shrinking. Exploitative policies are becoming more painful and onerous, more difficult to enforce, and less lucrative in revenue; this exerts powerful pressure on governments to reduce the exactions. The pain may even induce some pressure groups to leave the halls of government and, instead of pleading for handouts and privileges, to pursue entrepreneurial profits in world markets.

Exploitative governments do not readily yield their coercive powers. Seeking to retain and reaffirm their authority, they may turn "protectionist" and erect prohibitive barriers against the movements of goods, capital, and labor. They may try in vain to shelter their exploitation system through association, cartelization, combination, and other means of trade restraint.

Many loyal and law–abiding Americans still place their hopes for reform in legislators and regulators. They are unaware that the age of politics is drawing to a close. Hope still drives lengthy and costly election campaigns, but it is also the source of much frustration and disappointment later.

Hans F. Sennholz



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THE FREEMAN
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Environmental Education: Turning Kids into Political Activists

by Steve Jackstadt and Michael Sanera

Twenty-five years after the first Earth Day, the environmental movement, as represented by established groups like Greenpeace, the Sierra Club, and the Wilderness Society, is in trouble. Membership is down, their credibility with the public is in a shambles, and a majority in Congress seems bent on lifting the burden of environmental regulation.

There is one area, however, where environmentalists are on a roll and that is in education. Environmental education is one of the hottest educational issues in America today and throughout the nation, schools at all grade levels have jumped on the environmental education bandwagon. Currently, 30 states have laws mandating some form of environmental instruction in the classroom. Many of these laws require the integration of environmental education into most subject matter classes and at all grade levels. Thus, students are exposed to environmental education not only in science classes, but also in history, geography, health, and even in English and math classes.

Recently, however, environmental education has become a cause for serious concern among parents, scholars, and journalists. In particular, critics charge that environmental education is dominated by a "doomsday approach" to environmental issues, which instills unfounded pessimism in children when it comes to the future, that environmental curriculum materials are biased and misleading, and that schools often encourage political advocacy that serves the goals of environmentalists. A graphic evaluation was given by Nancy Bray Cardozo in *Audubon* magazine; "As if children don't have enough to worry about these days—AIDS, wars, starving people—environmentalists are teaching them that their very planet is at risk. . . . Children feel like intruders in nature, destined to destroy their world."[1]

Patricia Poore, editor of *Garbage,* reviewed a variety of environmental education materials and books and concluded that this material "contains oversimplification and myth, has little historical perspective, is oriented, and is strongly weighted toward a traditional environmentalist viewpoint, i.e., emphasizing limits to growth, distrust of technology, misinformation concerning waste management, and gloomy (if not doomsday) scenarios."[2]

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Biased Environmental Education Materials

A consistent pattern of one-sided presentations of environmental issues is shown by our review of nearly 100 sixth-through-tenth grade textbooks in the areas of science, health, geography, government, and history.

In the coverage of acid rain, for example, school textbooks, with rare exception, teach children that acid rain is a major crisis which is killing forests, fish, crops, and destroying buildings and statues. The text *Being Healthy* states: "Acid rain damages rivers and lakes, killing fish and plants."[3] The D.C. Heath text *Earth Science: The Challenge of Discovery* states: "Trees all across the Northeast are dying."[4]

Nearly every text fails to mention the findings of the largest study of acid rain ever conducted. The National Acid Precipitation Assessment Project (NAPAP) was a ten-year study funded by Congress at a cost of over $500 million. The NAPAP concluded that: "There is no evidence of widespread forest damage from current ambient levels (pH 4.0–5.0) of acidic deposition [acid rain] in the United States."[5] The study's final report issued in 1990 also reported only minor harm to lakes and streams in the Northeastern United States.

In the textbooks, the tenuous global warming hypothesis is almost always covered as a fact. This hypothesis argues that the increase in atmospheric carbon dioxide will bring about the melting of the polar ice caps and cause catastrophic flooding of coastal cities. One text even shows an illustration of the New York City skyline with a water-level covering the Statue of Liberty and most buildings.[6] Rarely, if ever, do the texts provide equal time to the arguments of the scientists who have called this scenario into question.

Scientists who criticize the catastrophic global warming theory agree that over the last one hundred years the burning of fossil fuels which powers our industrial society has increased the amount of carbon dioxide and other greenhouse gases in the atmosphere. They also agree that there has been a slight (1 degree C [1.8 degree F]) temperature rise over the last one hundred years.[7] The critics point out, however, that most of that temperature rise took place between 1880 and 1938 when the burning of fossil fuels was less than in the post-World War II era. Between 1938 and 1980 the temperature records show a slight decrease, with some warming since 1980. If there is a correlation between the rise of carbon dioxide and global warming, then warming should have accelerated after 1938, along with the rapid buildup of carbon dioxide, rather than lessened.[8]

Students are not presented with this important scientific controversy. Instead, they are shown pictures of beach houses falling into the sea and dust bowl farms and are told: "Scientists estimate that by the year 2040, the earth will have warmed by about 2 degrees C [3.6 degrees F]. And by the year 2100, people may be living on a planet that is 5 degrees C [9 degrees F] warmer than it is today."[9] By leaving out the arguments of the global-warming critics, the textbooks are misleading and miseducating students.

Nowhere is the environmental education bias in the textbooks more comprehensive than in the area of the alleged world population crisis. With rare exception, the texts use a graph that shows the acceleration of population growth over the last 500 years. These graphs usually end at the year 2000. Often these graphs are accompanied by statements that the population will continue to double every 20 to 30 years and that food and other resources cannot keep up with population growth.[10] These texts are misleading because they fail to tell children that since the 1960s the rate of population growth has declined. In the 1960s world population was growing at slightly over two percent per year. By the 1990s the rate had dropped to about 1.5 percent and it is expected to drop below one percent growth in the 2020s.[11] The graph that depicts this reality and the one that children should be shown is one which indicates a leveling off of world population at about 10 billion people around the year 2100.

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Most texts go on to demonstrate the catastrophic effects of population growth by discussing dwindling food supplies and mass starvation, yet most of this information is either grossly exaggerated or simply untrue. Dennis Avery, a well-known population scholar, has documented the fact that world food supplies are growing faster than population and that most of the world's population has been eating better ever since World War II. He notes that "virtually all of the world's hunger in 1990 was 'political.'"[12] By this, he means that the pictures of starving people, mainly Africans, that are seen in children's textbooks are starving not because there is a shortage of food supplies, but because of civil wars where one side is using food as a weapon, or as the result of misguided policies of Marxist regimes. Avery goes on to note: "Africa is a vestige of the hunger problem which once faced all of the Third World—it is not a forerunner of impending famine for the Earth."[13]

The overall impression given to students by school textbooks is that of a world headed for ultimate destruction. If global warming does not incinerate us, or we don't starve, solar radiation pouring through the ozone hole will give us all skin cancer. Even if we survive these catastrophes, air and water pollution will make our day-to-day existence miserable.

Political Activism in the Classroom

After a biased presentation of environmental education information, students are often asked to join a "Children's Crusade" of political activism which supports the environmental interest-group agenda. This ranges from simply asking for more information from political leaders to the picketing of businesses and the holding of press conferences. Textbooks published by some of the nation's leading publishing companies, such as Prentice-Hall and Macmillan, lead the way.

The 1993 edition of the Prentice-Hall text *Environmental Science: The Way the World Works*, does not camouflage its desire for kids to become active politically. The chapter on air pollution concludes with the section "Taking Stock—What You Can Do." After a discussion of air pollution regulations, the text tells students: "Write your Senators and Representatives." Children are told to ask that the next re-authorization of the Clean Air Act include requirements to "increase the average fuel efficiency of cars to 60 miles per gallon by the year 2000," to "set and enforce standards for ozone and other pollutants that will protect crops, forests, and all other aspects of the environment, not just human health." The text states: "Further delays are not tolerable."[14] Absent is any discussion of research such as that by Robert Crandall and John Graham which concludes that higher fuel efficiency leads to the production of smaller cars that are less safe in accidents and thereby results in thousands of additional traffic fatalities.[15]

The Prentice-Hall text *Your Health* also urges students to engage in politics. At the conclusion of a chapter on the environmental dangers to their health the text states: "Given these problems, what can *you* do? Consider joining an environmental group. Boycott products. . . . Become politically involved. Urge your local, state, and federal representatives to take action against existing air, land, and water pollution and to act swiftly."[16] (emphasis in original).

The Merrill (a Macmillan subsidiary) text *Focus on Life Science* is less direct in its attempts to activate students. In a section on the plight of the rain forests it states: "The Rainforest Action Network called for boycotts of fast-food companies that buy their beef from South American countries. . . . Do you think a boycott of fast-food companies would halt the destruction of rain forests? Would you be willing to participate in such a boycott? Give the reasons for your answers."[17] Given the discussion of rain forest destruction which precedes this, most students will answer these questions in predictable ways.

The texts also send the message that government activity is the only way that environmental problems will be solved. The Glencoe (another Macmillan subsidiary)

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text *Biology: An Everyday Experience* discusses the energy crisis in these terms. "The supply of fossil fuels is being used up at an alarming rate," the text warns. "Government must help save our fossil fuel supply by passing laws limiting their use."[18] This text never mentions that market pricing is the most effective way to determine if shortages exist or that higher prices will stimulate conservation.

The behavior most often encouraged by textbooks and other environmental education materials is recycling. The pressure on children to recycle is enormous: schools engage in elaborate recycling programs and urge children to pressure their parents to recycle at home. Students are also urged to become politically active in support of government-imposed mandatory recycling in their communities. The D.C. Heath text *Earth Science: The Challenge of Discovery* includes a "Take Action" Section that asks students to: "Write to your State legislator and explain your position on mandatory recycling. Ask the legislator to explain his or her position on the issue. If your state does not have any recycling laws, ask if there are plans for new recycling legislation."[19] Yet as an article in the *Wall Street Journal* pointed out recently,

> There's just one problem. At least by any practical, short-term measure curbside recycling doesn't pay. It costs residents and local governments hundreds of millions of dollars more than can be recouped by selling the trash. It requires huge new fleets of collection trucks that add to traffic congestion and pollution.[20]

Information on the costs of recycling has been well-aired in the scientific and popular literature, but does not find its way into textbooks.

Teaching Political Action Skills

Teaching political action to students is relatively new to the classroom and teachers are not always trained in political action techniques. To fill this void and to develop these political action skills, the texts offer teachers help in the teachers' editions of the texts. The Glencoe text *Health: A Guide to Wellness* provides expert advice to teachers and students on "Writing to Elected Officials." This section provides six guidelines for writing to an elected official including: "Keep your letter short. . . . Limit your letter to one or two key issues . . ." and "Ask for a specific response."[21]

While the textbooks are somewhat limited in what they can do to teach political action skills, special political action handbooks for teachers and students have been developed to provide detailed technical assistance. One of the most successful of these handbooks is Barbara Lewis' *The Kid's Guide to Social Action: How to Solve the Social Problems You Choose and Turn Creative Thinking into Positive Action*. This 185-page political action handbook includes entries that provide expert advice on: "How to Write a Letter to the Editor . . . Tips for Successful Petitions . . . Six Ways to Fundraise . . . How to Write a News Release . . . Parading, Picketing and Protesting . . . How to Initiate or Change a Local Law . . . and Tips for Successful Lobbying . . ."[22] This "soup to nuts" handbook provides all the political action skills the young environmental activist needs to push the environmental agenda.

State Environmental Education Laws

The political activism in the classrooms is the direct result of the environmental education movement's planning and hard work instituting state-level environmental education laws. A major objective of the environmental special interest groups which have supported the passage of these laws is to use environmental education as a way to create an army of young political activists. While each state's law contains slightly different language, most of them provide a statutory basis for teachers to encourage students to become involved politically in environmental issues.

The Council of State Governments, which provides model legislation to state legisla-

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tors on many subjects, lists six characteristics for model environmental education legislation. One of these is "Motivation for Action—the commitment to act for a healthy environment based on one's knowledge and skills."[23]

In Wisconsin, the state has established five priorities for receiving an Environmental Education Grant which provides money to develop curriculum and classroom materials. One of these priorities is "The preparation of citizens of any age to become active participants in the resolution of local-through-global environmental issues."[24]

Washington state's Framework for Environmental Education asks teachers to "foster the idea that involvement in the political and legal process is paramount to resolving environmental issues."[25]

In Arizona, one of the leaders in the environmental education movement, the state law passed in 1990 encouraged political activism by giving teachers the authority to "encourage civic and social responsibility toward environmental issues." This provision of the statute was used to justify students engaging in political activism. Fortunately in 1994, the state legislature struck this provision from the law and inserted the requirement that all environmental education must be based on sound science and economics.

Conclusion

There is nothing wrong with teaching students about environmental issues, but they should be taught the true scientific and economic complexity of these issues. There is nothing wrong with teaching children about the workings of the political system by getting them personally involved in political issues. What is wrong is to use biased and misleading information about environmental issues such as acid rain, global warming, and the so-called population crisis to recruit children as shock troops in a crusade to support a particular political agenda. Most educators would admit that this is not education. This has more in common with political indoctrination and does not belong in our schools. □

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THE FREEMAN
IDEAS ON LIBERTY

The Devastating Effect of the Annenberg Grants

by Gary Lamb

At a White House ceremony in December 1993, retired publisher and diplomat Walter Annenberg pledged $500 million to public education over the next five years.

Three national organizations will share $115 million of the grant, one of which is the newly founded Annenberg Institute for School Reform at Brown University, headed by Theodore Sizer. In addition, groups from the following four cities have secured $50 million matching grants: New York, Chicago, Los Angeles, and Philadelphia. In general, the grant money is intended to support school-based renewal within the public school system.

The focus of this article is not the possible effects the grant will have on public education but the very real effects such a gift has on private education.

Elementary and secondary private education in the United States depends almost exclusively on private-sector money: individuals, corporations, and foundations. The public school system, of course, virtually monopolizes the tax money used for the education of children. But over the last twenty years or so public school advocates have not been satisfied with the vast depth of the public coffers. They have become increasingly effective in securing additional financial support directly from private sources.

One of the techniques they use to garner this additional support is to play up how bad public schools are and then continually remind the business community that most of the future work force is educated in these failing schools.

Just as the proponents of public education have zealously guarded public monies, they have now begun to view the private philanthropic dollar as their own. It has reached the point that if an individual or organization publicly announces a contribution of a few thousand dollars to a privately funded voucher program to enable low-income families to send their children to a private school, public school supporters cry foul. They consider it a bad precedent that should not be duplicated because such contributions divert money and attention away from public education, which desperately needs all the help it can get.

Assuming no increase in philanthropic giving, when the insatiable public education system begins winning private gift money for its purposes, it takes money away from an important source of support for private education.

The negative effect of Annenberg's grant on private education is not limited to the fact that he didn't award any of the $500 million to private schools. The grants are matching grants. For example, in order to

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receive his $50 million grant, the New York City coalition must raise another $100 million: $50 million from private sources and $50 million from public funds. This means that the private sector in the New York City area is going to be directly pressured to come up with an additional $50 million and taxed for yet another $50 million. One hundred million dollars sucked out of the local community doesn't bode well for private education or any private-sector charitable cause.

Imagine for a moment—admittedly, we can only imagine this now—that Walter Annenberg decided the best thing he could do for the poor and disadvantaged children in this country was to donate $500 million to private education. Let's say that he offered supporters of private education in 20 American cities an average of $25 million each (amounts depending on population) in matching grant money to set up privately funded programs that provide tuition-aid grants for low-income families. This is precisely the kind of opportunity private education needs to overcome its image of elitism and to show, if given the financial resources, it can provide the basis for addressing the educational needs of the poor and the rich alike where public education has failed.

Just imagine what kind of media attention such a gift would have drawn, and what an opportunity it would also have been to promote parental choice and educational freedom as opposed to governmental reform programs.

I have not read or heard of any response on behalf of private education regarding the Annenberg grant. If a similar grant, even one of one-tenth the size, had been awarded to private education as a movement, every major newspaper in the country would have been filled with protests from the public education establishment.

Public school advocates fear that private education might have the opportunity on a widespread basis to show it can address the needs of all types of children, including the disadvantaged, in ways that the public schools cannot. They also are afraid that private education in general will gain recognition as a way of life.

One of the reasons private education has not won over such benefactors as Annenberg is that there has been no coordinated presentation of private education as the real basis on which our nation's educational problems can be solved. While private education does not guarantee a good education, it has a degree of independence and freedom from government control—characteristics essential for good schooling.

Government funding is inefficient and ineffective. This would also apply to any government-funded voucher program. It couldn't redistribute the money as efficiently or as effectively as a foundation. Nor will government voucher programs be able to curb the government's desire to regulate and control education. Private voucher programs, however, are proving to be models of simplicity and efficiency. The private voucher programs have also shown it is possible in the private sector to provide money without taking away the freedom of the schools and that poor parents can make responsible decisions concerning their children's education without the government's help or interference.

Some say that private schools will always have to defend themselves from state regulation, regardless of whether they accept money from the government or not. This may be true, but in the long run the best and only defense for private education is financial independence from the government. The strength of this defense will increase as the financial independence of individual schools and the size of the private school movement increases. The gradual transition from government-welfare schooling to independent, private education can begin with many small endeavors.

Let private sector money flow to private voucher foundations, directly to schools, or to families: by whatever means best suits the situation. □

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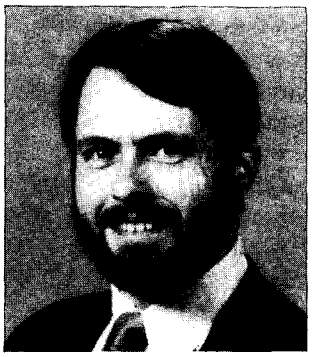

Paying for Other People's Politics

For decades the federal government has been inexorably expanding its power, spending, taxing, and regulating almost at will. It was bad enough that Uncle Sam promiscuously redistributed people's incomes to meet one alleged public need or another. Even worse has been Congress' readiness to use taxpayer resources for explicitly political purposes. Washington currently provides advocacy groups with some $39 billion annually. Report Marshall Wittmann and Charles Griffin of the Heritage Foundation: "Over the past forty years, Congress has helped create a vast patronage network of organizations that enjoy tax-preferred status, receive federal funds, and engage in legislative or political advocacy."

The beneficiaries of federal largesse read like a Who's Who of advocates of big government. For instance, labor unions receive millions of dollars annually in grants—between mid-1993 and mid-1994 the Teamsters collected $3.5 million and the AFL-CIO pocketed $2 million. The American Bar Association grabbed $2.2 million over the same period. The Child Welfare League of America received $260,000; the Environmental Defense Fund collected $515,000. The National Council of Senior Citizens, which gets an incredible 96 percent of its revenues from Uncle Sam, grabbed $71.5 million, while the AARP, the prime lobbying force behind cash-consuming, bankruptcy-headed Social Security, collected $73.7 million. Other beneficiaries include the League of Women Voters, Planned Parenthood, Families USA, World Wildlife Fund, Consumer Federation of America, American Nurses Association, United Auto Workers, and AFSCME.

Virtually every department and agency in government contributes its share to the plunder: Labor, Education, Health and Human Services, Interior, EPA, and more. One of the most abusive bureaucracies is the Legal Services Corporation (LSC), which, in the name of representing the poor, has used taxpayer funds to oppose state and federal initiatives to cut spending, trim regulations, and reduce taxes. Americans are paying twice—first for LSC grants, and second for the bigger government promoted by LSC grantees.

Even the theoretically best of congressional intentions is often perverted by federal grantors and activist grantees. For instance, in the name of preventing alcohol abuse the Department of Health and Human Services, through the Center for Substance Abuse Prevention (CSAP), has used public funds to promote media and political campaigns for higher alcohol excise taxes, restrictions on advertising, and destruction of private billboards. At times officials appear to have skirted the ban on taxpayer-funded lobbying, violating the spirit if not the letter of existing law.

According to CSAP, its programs "are

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designed to help eliminate or reduce alcohol, tobacco, and other drug problems in our society." Few could disagree with such a goal in theory. In practice, however, CSAP is interested in far more than substance abuse. All too often the agency has interpreted its mission—through its grant process, research support, organizational activities, and public pronouncements—as organizing local groups to attack people's drinking preferences.

For instance, CSAP has lavished federal largesse on the Marin Institute. The Institute does far more than discourage problem drinking. The organization explains that "effective prevention must incorporate principles of social justice and a special focus on populations that have been traditionally disenfranchised" and emphasizes that it develops "new resources and strategies that are on the forefront of the prevention field and that do not shrink from controversy." Similarly, Institute Senior Fellow James Mosher has written that "the new alcohol policy movement offers the entire public health field the opportunity to reach new constituencies." This approach, he adds, "provides the means to build a coalition for broad social change in regard to health policy."

Politics is not merely a byproduct of CSAP grants to the Marin Institute, which promotes state and national networks of community activists and exhorts them to take political action. Politics often appears to be the agency's goal. CSAP provided nearly one million dollars between 1990 and 1993 for the Marin Institute's Youth Alcohol Environment On-Line Information Project. This federally-subsidized "media advocacy" project, explained the Institute's grant proposal, "tries to reframe health issues to focus on industry practices as a primary problem, exposing them as exploitive and unethical." Indeed, the Institute stated that this project would have been useful in handling past queries from local "alcohol control activists" about such issues as the industry's response to activists' positions, industrial ownership patterns, the background of industry spokesmen, industry promotional expenditures, and likely industry arguments. These sorts of questions have nothing to do with health concerns or substance abuse; rather, they involve political attacks on the alcohol industry and the very idea of social drinking.

The University Research Corporation (URC) of Bethesda, Maryland, another agency grantee, put together a set of "media advocacy case studies" at CSAP's behest. The report highlighted activists' use of the media in "reducing the presence of alcohol and tobacco advertising and sales in their neighborhoods." CSAP's underlying political agenda was clear: local activists "had to take on government and business. In some cases, they changed or created city and local ordinances. In other cases, they changed the policies and practices of advertising companies, stores, and even manufacturers."

Among the examples compiled at taxpayer expense was a San Diego campaign, involving ACT UP, among other gay groups, to link alcohol with the transmission of AIDS, increase alcohol excise taxes, expand condom availability, and eliminate advertising tying alcohol to sex. The report quotes one local activist who explained that: "We need sex, kids, gays, motion, emotion, and real university researchers." CSAP has also promoted a group of so-called guerrilla artists with an unprintable name who deface private billboards that feature alcohol advertising. The group, reported CSAP, "did not fear taking on corporate America." Since 1989 the group has illegally altered 41 billboards, painting their own messages. CSAP went on to list the "lessons learned," including that "sensationalism makes news" and "even with a sensational event, careful planning is necessary."

Local groups are free to attack the alcohol industry, of course. But why is the federal government using tax money to promote such activities? In the name of restraining substance abuse, political activists, aided by the federal government, are lobbying local officials to interfere with responsible drinking by the vast majority of Americans—and taxpayers.

CSAP also touts the importance of media

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advocacy training for its own staffers and local activists. The agency assists political activists in other ways. For instance, CSAP helped develop and promote the National Prevention League (recently renamed the National Drug Prevention League). Federal money has also been used to assist activists in attending NDPL functions, even though the League considers itself to be a "supergroup" advocacy organization that, among other things, lobbies Congress on CSAP's behalf. According to Dr. Michael Dana, CSAP's Director of the Office of Intergovernmental and External Affairs, the NDPL "will create mechanisms to discuss ways to educate the appropriate individuals, to make the case that prevention is the way to have an effect on drug use over the long haul." Among the "appropriate individuals" are congressmen and congresswomen. As Executive Director Sue Rusche put it: "Hardly anybody understands what prevention is, and certainly that has to apply to the United States Congress."

In fact, two years ago CSAP (then the Office for Substance Abuse Prevention) was reprimanded by the General Accounting Office for illicit political activities. Were it concerned about the law, the agency should have been exercising greater caution in its own activities and tighter oversight of its grantees' projects. Instead, the Center seems intent on operating as close to the line of illegal lobbying as possible.

The case for cutting the federal budget is clear enough. The case for eliminating grant money for political activists is even clearer. As Thomas Jefferson put it: "To compel a man to furnish funds for the propagation of ideas he disbelieves and abhors is sinful and tyrannical." It is time that taxpayers, rather than legislators, decided which groups they want to support. Democracy means very little if influential interests are able to regularly raid taxpayers' wallets to underwrite their political campaigns and lobbying activities. □

Economic Winners Deserve to Be Respected, Not Vilified

by Mark J. Perry

Many people deplore the fact that the top 20 percent of U.S. households account for 55 percent of the nation's after-tax income, and the top one percent own nearly 40 percent of the country's wealth. Such inequality seems to offend some sense of justice and fairness and this prompts policies to tax the rich and redistribute income to people on the bottom. The very nature of the U.S. progressive income tax is intended to tax the rich at increasingly higher rates to achieve a more "equitable" distribution of income.

In discussions on equality, we often do not define our terms well. Most of us would agree that equality of opportunity is desirable. But, equality of opportunity in no way guarantees that outcomes will be equal. In fact, inequality of outcomes is the natural and expected result of any fair, competitive process, whether the competition is for Olympic medals, Nobel Prizes, grades, or dollars.

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For example, in the 1992 summer Olympic games, almost 100 countries competed in over 230 individual and team events in 26 different sports. In all, 815 gold, silver, and bronze medals were awarded. The countries that received the most medals represented only ten percent of the total number of countries that competed. Yet that top ten percent won more than 65 percent of the total medals awarded. The top 20 percent of the countries won more than 85 percent of the total medals awarded.

An analysis of Nobel Prizes awarded in the four science categories—physics, chemistry, medicine, and economic science—also shows a dramatic inequality of outcome. Since 1901 there have been 447 Nobel Prizes awarded to individuals from over 30 countries. Three countries (United States, Great Britain, and Germany) earned almost 300 Nobel awards. In other words, the top 10 percent of the countries receiving awards got 67 percent of the total Nobel Prizes. The top 20 percent (United States, England, Germany, France, Sweden, and Switzerland) earned over 80 percent of the total prizes granted.

As long as everyone is free to compete in a fair contest with well-defined rules, no one is offended by the inequality of outcomes at the Olympics or in Nobel Prize competition. No one ever seriously suggests that Olympic medals or Nobel Prizes (with the possible exception of the prize for literature and peace) be redistributed to achieve "equality of outcome."

Why then do people object to an unequal distribution of income or wealth? The results of income distribution conform very closely to the inequalities outlined above in the Olympics and for Nobel Prizes. An unequal distribution of income is a natural and expected outcome—just like the unequal distribution of Olympic medals or Nobel Prizes. The economy is a competitive marketplace and there will always be people who excel in business, science, or the arts. Through some combination of skill, perseverance, hard work, and luck, successful people like Bill Gates, Oprah Winfrey, and Michael Jordan make more in a year than most of us make in a lifetime. But then the United States usually wins more Nobel Prizes in a year than Japan has won all century.

Taxing the most successful people in our society and redistributing income to the most unproductive members of society is not a solution to the so-called evils of income inequality. Redistribution through a punitive, progressive tax system harms everyone—it makes the richest, most successful people less productive and the least productive people even less productive. In the same way that redistributing Olympic medals would weaken and undermine athletic competition, income redistribution weakens our economic system.

The medal winners of the Olympics and the Nobel Prize winners are honored, respected, and admired. We should pay the same respect to the winners and true heroes of the free enterprise system—the successful business people at the top of the economic ladder. □

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THE FREEMAN
IDEAS ON LIBERTY

Why They're Mad

by Sarah J. McCarthy

The most incredible question to arise from the horror in Oklahoma City is not that a lunatic or two could engage in an atrocity, but why 1,000 people in February 1995 felt the need to attend a meeting with speakers from the Michigan Militia in the sleepy Norman Rockwell town of Meadville, Pennsylvania.

The first time I'd heard of the rural rage that is sweeping the mountains and prairies of the American West like a wildfire was from Kathleen Marquardt, Montana resident and author of *AnimalScam*. "Militias are sprouting up all over," she said. "We're truly on the verge of a revolution."

"They're ready to start shooting out West," said Ms. Marquardt. "People in Idaho are strapping on their guns and talking about secession. It's not to be pooh-poohed. I know that people have threatened federal prosecutors." Ms. Marquardt followed this with an urgent plea for concerned lawyers to help with a problem that has arisen in "Heaven-on-Earth, Montana."

If one dismisses this rural rage as just some rabid reaction to radio talk shows or a childish national tantrum, rather than trying to understand it, one would be making the same mistake as those who ignored the widespread unrest about the Vietnam war and blamed it on Jane Fonda. When a goodly number of Americans coast-to-coast are angry, as we saw in the anti-Vietnam war and the civil rights movements, they usually have some very good reasons.

Living in Last Chance Gulch near Helena, Montana, Kathleen Marquardt described her transformation from an apolitical mother to an angry "grassroots rabble-rouser" the day that her daughter came home in tears, vowing never to return to school. An animal rights group, she said, was visiting her daughter's school for a week to convince the children of ranchers, farmers, and hunters that their parents were murderers. Ms. Marquardt's daughter began crying when she was told in front of the entire class that because her mother was a hunter, she was also a murderer.

"The children weren't told," says Ms. Marquardt "that ranchers and farmers put the food on America's tables, that ranchers and miners and loggers provide their clothes and products that build their homes and schools, cars, and video games." Ms. Marquardt became an activist, founding a group she calls "Putting People First."

Protecting Owls, Endangering People

The Endangered Species Act, which enables the federal government to take control of private property without compensation, is among the most controversial of environmental regulations angering farmers and ranchers. A law innocently devised to protect owls and wolves is playing a major part in fermenting a rural revolution.

Tales abound of people like Margaret Rector, a 74-year-old woman, who in 1973 purchased 15 acres of land near Austin, Texas, that was bought with her life savings and intended for her retirement income. The U.S. Fish and Wildlife Service, however, had other plans for her small farm. In 1991 they decided that her land was a suitable habitat for the Golden Cheeked Warbler. As a result, Mrs. Rector's land, previously assessed at $800,000 is now unusable for development, and is worth a mere $30,000. The only thing Mrs. Rector can do with her land is pay taxes.

Ms. McCarthy has been published in Barron's, Forbes, *and* The New Quotable Woman.

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Radical green politics and animal rights extremism is the New Age socialism, says Kathleen Marquardt, citing examples of environmentalists who are unyielding in their disdain for property rights. Even environmentalists considered moderate, such as Peter Berle, President of the Audubon Society, has said, "We reject the idea of private property."

Grizzly bears and wolves and spotted owls now take precedence over human beings in the mountains and prairies of the West, say farmers and ranchers. Bears and wolves have been reinstated into their former habitats amongst farms and ranches, and it's estimated that spotted owl regulations will result in the loss of 72,000 logging jobs in Washington, Oregon, and California.

"If a wolf or grizzly threatens your sheep," says Ms. Marquardt, "you have ten days to ameliorate the situation. If it is not resolved by then, then YOU get out. People of Idaho are strapping on their guns and saying, 'We're not leaving.' The next time representatives from New York's silk stocking district release wolves onto our lands, we're gonna release them in Central Park!"

To people who have lost control of their basic values, property, schools, and incomes to Ivy League values and Big Government social-engineering projects, paranoia about One-World-Government is just a baby step, or perhaps a couple of umbrella steps, away. "We're just sick of our values being under attack," says the editor of *Farm Times*, a newspaper in Rupert, Idaho. Paranoia in the Heartland of America has been generated more by the warrior mentality of federal regulatory agencies than by radio talk shows.

Former Senator George McGovern, appearing on C-Span a few days after the tragedy in Oklahoma City, derided the attitudes of people he called "gun nuts," saying that anyone who is against the Brady Bill is, by definition, a "gun nut." Guns, however, seem to look very different to the folks who inhabit the vast wilderness of the West than they do to urban subway riders. Miles from butcher shops and police departments, their guns are instruments of survival, food, and protection.

In a society that watched an almost total collapse of law and order in Los Angeles, and a criminal justice system that has trouble keeping violent offenders in jail, the habitually self-reliant people of the West believe that they have no one to rely on but themselves.

Guns are seen to be one of their few remaining vestiges of power, security, and safety in a political atmosphere that stereotypes them as Forrest Gumps from flyover country. Rural people say they are losing their farms, homes, retirement nests, and basic values to a federal government that is micromanaging their lives at every turn. As you listen to them, they sound like people with their backs to the wall. "If we want to preserve Western culture," said Kathleen Marquardt, "we're gonna have to fight for it."

The executive branch and its regulatory agencies have been operating in a search-and-destroy mode against American citizens who are on the wrong side of the liberal political agenda. Doctors, pharmaceutical companies, construction firms, tire companies, restaurants, ranchers, farmers, miners, radio shows, and small businesses have felt the heavy hand of Big Government and its big fines and verbal assaults. "We must identify our enemies and drive them into oblivion," said Bruce Babbitt, before he was appointed Secretary of Interior. "Freeloaders" and "profiteers" and "whores for the insurance industry" are a few of the epithets Washington heavies have hurled at their political opposition in mainstream America.

As representatives from the current administration tour the country pointing fingers at radio talk show hosts, and militias, their own incendiary rhetoric and heavy-handed policies have been inflaming people like a matchstick set to dry prairie grass. Let's hope they will not wait as long as previous Establishment officials, such as Robert McNamara, to recognize the error of their ways. □

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THE FREEMAN
IDEAS ON LIBERTY

The Big Apple: Cigarettes and Central Planners

by Ralph R. Reiland

"People should be free to settle things on their own," Jimmy Duke tells a *New York Times* reporter. Duke owns Drake's Drum, a restaurant on Second Avenue at 90th Street in New York City.

What has Mr. Duke talking about individual freedom is Local Law 5, a new city ordinance that outlaws smoking in all restaurants with 35 or more seats, except at the bar (if they have one). Duke, a nonsmoker, has just tossed out over half of his dining room chairs in order to seat precisely 34 customers.

Duke may be auctioning off his final 34 chairs if the Coalition for a Smoke Free City gets its way. The Coalition is seeking to eliminate the size exemption and expand the smoke-free mandate to every eating and drinking establishment.

Duke's restaurant, renamed, is now Drake's Drum—The Smoke Inn. Illustrating the Law of Unintended Consequences, any health risks from secondhand smoke at Drake's, with its now higher concentration of smokers, will most likely be increased because of Local Law 5. "Why should bureaucrats get involved?" Duke asks. "I run a pub. I don't do behavior modification."

For outdoor diners in New York City's sidewalk cafes, Local Law 5 decrees that only 25 percent of the customers can be smoking at any one time. Pedestrians, walking by the cafe tables, can smoke in any percentages.

After the first month of operating under the smoking ban, a poll of 1,000 New York City restaurant owners shows 81 percent saying that Local Law 5 represents "overregulation of small business," and 55 percent saying that their sales had declined.

Multiple Chemical Sensitivity may be Jimmy Duke's next headache. Allegedly, for folks with MCS, a whiff of secondhand perfume can bring on anything from a headache to cardiac arrest. If the hostess at Drake's Drum seats too many heavily fragranced customers at one time, Duke may end up as a co-defendant in a manslaughter-by-environment lawsuit.

Emboldened by the enactment of Local Law 5, anti-smoking activist Nancy Coleman says, "We can now redirect our efforts to the area of toxins and fragrances." The *New York Post* reports that perfume wearers already face restrictions in San Francisco. Charcoal grills may be next on Ms. Coleman's list.

The Market at Its Best

In Manhattan's NYNEX Yellow Pages, religious organizations fill only three-quarters of one page. The city's restaurant listings, starting on the next page, go on for 28

Ralph Reiland, Associate Professor of Economics at Robert Morris College, owns Amel's Restaurant in Pittsburgh, Pennsylvania.

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pages of tiny print, beginning with Abyssinia Ethiopian Restaurant and ending with Zutto's on Hudson.

There are nearly 300 restaurants listed on each of those 28 phone directory pages, with a total of more than 8,000 restaurants in New York City. It's the free market at its best—a creative, competitive, and thriving industry, providing superb opportunities to entrepreneurs and an infinite array of choices to customers.

If there's any industry that is fully capable of self-regulating itself regarding smoking, while meeting the needs of its varied clientele without new laws, surely it's the New York City restaurant business. With over 8,000 restaurants, owned by people who know that they profit most through satisfying their customers, it seems clear that the market is thoroughly adept at adjusting to customers who prefer a smoke-free environment, if they request it, and equally capable of catering to others who wish to have a cigarette after dinner.

The Russian Tea Room, for instance, has two floors of dining rooms, each with well over 35 seats. Rather than entirely outlawing smoking on both floors, as Local Law 5 mandates, why not permit the owners of the restaurant to designate one floor as smoking and the other as non-smoking, if that's what their patrons wish?

Other restaurant owners could fully ban smoking, but that would be purely a decision by the owners, not a city-wide regulation. In the end, the result might be 3,000 smoke-free restaurants, 2,500 restaurants that don't regulate smoking, and 2,500 that had separate accommodations for smokers and non-smokers, all dictated primarily by the market.

That would hardly be a dilemma when tourists stopped at the hotel concierge to ask for a good Chinese restaurant. "Let's see, we have 106 good ones that are smoke-free and 92 where you're permitted to smoke. The best dozen or so are marked with a star." □

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THE FREEMAN
IDEAS ON LIBERTY

William Penn—America's First Great Champion for Liberty and Peace

by Jim Powell

William Penn was the first great hero of American liberty. During the late seventeenth century, when Protestants persecuted Catholics, Catholics persecuted Protestants, and both persecuted Quakers and Jews, Penn established an American sanctuary which protected freedom of conscience. Almost everywhere else, colonists stole land from the Indians, but Penn traveled unarmed among the Indians and negotiated peaceful purchases. He insisted that women deserved equal rights with men. He gave Pennsylvania a written constitution which limited the power of government, provided a humane penal code, and guaranteed many fundamental liberties.

For the first time in modern history, a large society offered equal rights to people of different races and religions. Penn's dramatic example caused quite a stir in Europe. The French philosopher Voltaire, a champion of religious toleration, offered lavish praise. "William Penn might, with reason, boast of having brought down upon earth the Golden Age, which in all probability, never had any real existence but in his dominions."

Penn was the only person who made major contributions to liberty in both the New World and the Old World. Before he conceived the idea of Pennsylvania, he became the leading defender of religious toleration in England. He was imprisoned six times for speaking out courageously. While in prison, he wrote one pamphlet after another, which gave Quakers a literature and attacked intolerance. He alone proved capable of challenging oppressive government policies in court—one of his cases helped secure the right to trial by jury. Penn used his diplomatic skills and family connections to get large numbers of Quakers out of jail. He saved many from the gallows.

Despite the remarkable clarity of Penn's vision for liberty, he had a curious blind spot about slavery. He owned some slaves in America, as did many other Quakers. Anti-slavery didn't become a widely shared Quaker position until 1758, 40 years after Penn's death. Quakers were far ahead of most other Americans, but it's surprising that people with their humanitarian views could have contemplated owning slaves at all.

There were just two portraits of Penn painted during his lifetime, one depicting

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him as a handsome youth, the other as a stout old man. A biographer described young Penn's "oval face of almost girlish prettiness but with strong features, the brusqueness of the straight, short nose in counterpoint to the almost sensuous mouth. What gives the face its dominant character are the eyes, burning with a dark, luminous insistence . . . it is known from verbal descriptions that Penn was fairly tall and athletic. Altogether, the young man must have been both handsome and impressive."

William Penn was born on October 14, 1644, in London. The most specific description of his mother, Margaret, came from a neighbor, the acid-tongued diarist Samuel Pepys who described her as "well-looked, fat, short old Dutch woman, but one who hath been heretofore pretty handsome." She did the child-rearing, since her husband, William Penn Sr., was seldom at home. He was a much sought-after naval commander because he knew the waters around England, could handle a ship in bad weather and get the most from his crew. Admiral Penn had a good personal relationship with Stuart kings and for a while served their most famous adversary, the Puritan Oliver Cromwell.

Left mostly to himself, young William became interested in religion. He was thrilled to hear a talk by Thomas Loe, a missionary for the Society of Friends—derisively known as Quakers. Founded in 1647 by the English preacher George Fox, Quakers were a mystical Protestant sect emphasizing a direct relationship with God. An individual's conscience, not the Bible, was the ultimate authority on morals. Quakers didn't have a clergy or churches. Rather, they held meetings where participants meditated silently and spoke up when the Spirit moved them. They favored plain dress and a simple life rather than aristocratic affectation.

After acquiring a sturdy education in Greek and Roman classics, Penn emerged as a rebel when he entered Oxford University. He defied Anglican officials by visiting John Owen, a professor dismissed for advocating tolerant humanism. Penn further rebelled by protesting compulsory chapel attendance, for which he was expelled at age 17.

His parents sent him to France where he would be less likely to cause further embarrassment, and he might acquire some manners. He enrolled at *l'Académie Protestante*, the most respected French Protestant university, located in Saumur. He studied with Christian humanist Moïse Amyraut, who supported religious toleration.

Back in England by August 1664, Penn soon studied at Lincoln's Inn, the most prestigious law school in London. He learned the common law basis for civil liberties and gained some experience with courtroom strategy. He was going to need it.

Admiral Penn, assigned to rebuilding the British Navy for war with the Dutch, asked that his son serve as personal assistant. Young William must have gained a valuable inside view of high command. Admiral Penn also used his son as a courier delivering military messages to King Charles II. Young William developed a cordial relationship with the King and his brother, the Duke of York, the future King James II.

Penn's quest for spiritual peace led him to attend Quaker meetings even though the government considered this a crime. In September 1667, police broke into a meeting and arrested everyone. Since Penn looked like a fashionable aristocrat rather than a plain Quaker, the police released him. He protested that he was indeed a Quaker and should be treated the same as the others. Penn drew on his legal training to prepare a defense. Meanwhile, in jail he began writing about freedom of conscience. His father disowned him, and young Penn lived in a succession of Quaker households. He learned that the movement was started by passionate preachers who had little education. There was hardly any Quaker literature. He resolved to help by applying his scholarly knowledge and legal training. He began writing pamphlets, which were distributed through the Quaker underground.

In 1668, one of his hosts was Isaac Penington, a wealthy man in Buckinghamshire. Penn met his stepdaughter Gulielma Springett, and it was practically love at first sight.

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Poet John Milton's literary secretary Thomas Ellwood noted her "innocently open, free and familiar Conversation, springing from the abundant Affability, Courtesy and Sweetness of her natural Temper." Penn married Gulielma on April 4, 1672. She was to bear seven children, four of whom died in infancy.

Meanwhile, Penn attacked the Catholic/Anglican doctrine of the Trinity, and the Anglican bishop had him imprisoned in the notorious Tower of London. Ordered to recant, Penn declared from his cold isolation cell: "My prison shall be my grave before I will budge a jot; for I owe my conscience to no mortal man." By the time he was released seven months later, he had written pamphlets defining the principal elements of Quakerism. His best-known work from this period: *No Cross, No Crown*, which presented a pioneering historical case for religious toleration.

The Conventicle Act

He wasn't free for long. To curb the potential power of Catholics, notably the Stuarts, Parliament passed the Conventicle Act, which aimed to suppress religious dissent as sedition. But the law was applied mainly against Quakers, perhaps because few were politically connected. Thousands were imprisoned for their beliefs. The government seized their properties, including the estate of his wife's family.

Penn decided to challenge the Conventicle Act by holding a public meeting on August 14, 1670. The Lord Mayor of London arrested him and his fellow Quakers as soon as he began expressing his nonconformist religious views. At the historic trial, Penn insisted that since the government refused to present a formal indictment—officials were concerned the Conventicle Act might be overturned—the jury could never reach a guilty verdict. He appealed to England's common-law heritage: "if these ancient and fundamental laws, which relate to liberty and property, and which are not limited to particular persuasions in matters of religion, must not be indispensably maintained and observed, who then can say that he has a right to the coat on his back? Certainly our liberties are to be openly invaded, our wives to be ravished, our children slaved, our families ruined, and our estates led away in triumph by every sturdy beggar and malicious informer—as *their* trophies but our forfeits for conscience's sake."

The jury acquitted all defendants, but the Lord Mayor of London refused to accept this verdict. He hit the jury members with fines and ordered them held in brutal Newgate prison. Still, they affirmed their verdict. After the jury had been imprisoned for about two months, the Court of Common Pleas issued a writ of habeas corpus to set them free. Then they sued the Lord Mayor of London for false arrest. The Lord Chief Justice of England, together with his 11 associates, ruled unanimously that juries must not be coerced or punished for their verdicts. It was a key precedent protecting the right to trial by jury.

Penn had become a famous defender of liberty who could attract several thousand people for a public talk. He traveled in Germany and Holland to see how Quakers there were faring. Holland made a strong impression because it was substantially free. It was a commercial center where people cared mainly about peaceful cooperation. Persecuted Jews and Protestants flocked to Holland. Penn began to form a vision of a community based on liberty.

He resolved to tap his royal connections for his cause. With the blessing of King Charles II and the Duke of York, Penn presented his case for religious toleration before Parliament. They would have none of it because they were worried about the Stuarts imposing Catholic rule on England, especially since the Duke of York had converted to Roman Catholicism and married a staunch Catholic.

The Founding of Pennsylvania

Penn became convinced that religious toleration couldn't be achieved in England. He went to the King and asked for a charter

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enabling him to establish an American colony. Perhaps the idea seemed like an easy way to get rid of troublesome Quakers. On March 4, 1681, Charles II signed a charter for territory west of the Delaware River and north of Maryland, approximately the present size of Pennsylvania, where about a thousand Germans, Dutch and Indians lived without any particular government. The King proposed the name "Pennsilvania" which meant "Forests of Penn"—honoring Penn's late father, the Admiral. Penn would be proprietor, owning all the land, accountable directly to the King. According to traditional accounts, Penn agreed to cancel the debt of £16,000 which the government owed the Admiral for back pay, but there aren't any documents about such a deal. At the beginning of each year, Penn had to give the King two beaver skins and a fifth of any gold and silver mined within the territory.

Penn sailed to America on the ship *Welcome* and arrived November 8, 1682. With assembled Friends, he founded Philadelphia—he chose the name, which means "city of brotherly love" in Greek. He approved the site between the Delaware and Schuylkill rivers. He envisioned a 10,000-acre city, but his more sober-minded Friends thought that was overly optimistic. They accepted a 1,200-acre plan. Penn named major streets including Broad, Chestnut, Pine, and Spruce.

Penn was most concerned about developing a legal basis for a free society. In his *First Frame of Government*, which Penn and initial land purchasers had adopted on April 25, 1682, he expressed ideals anticipating the Declaration of Independence: "Men being born with a title to perfect freedom and uncontrolled enjoyment of all the rights and privileges of the law of nature . . . no one can be put out of his estate and subjected to the political view of another, without his consent."

Penn provided that there would be a governor—initially, himself—whose powers were limited. He would work with a Council (72 members) which proposed legislation and a General Assembly (up to 500 members) which either approved or defeated it. Each year, about a third of members would be elected for three-year terms. As governor, Penn would retain a veto over proposed legislation.

His *First Frame of Government* provided for secure private property, virtually unlimited free enterprise, a free press, trial by jury and, of course, religious toleration. Whereas the English penal code specified the death penalty for some 200 offenses, Penn reserved it for just two—murder and treason. As a Quaker, Penn encouraged women to get an education and speak out as men did. He called Pennsylvania his "Holy Experiment."

Penn insisted on low taxes. A 1683 law established a low tax on cider and liquor, a low tariff on imports and on exported hides and furs. To help promote settlement, Penn suspended all taxes for a year. When the time came to reimpose taxes he encountered fierce resistance and had to put it off.

Penn's *First Frame of Government* was the first constitution to provide for peaceful change through amendments. A proposed amendment required the consent of the governor and 85 percent of the elected representatives. Benevolent though Penn was, people in Pennsylvania were disgruntled about his executive power as proprietor and governor. People pressed to make the limitations more specific and to provide stronger assurances about the prerogatives of the legislature. The constitution was amended several times. The version adopted on October 28, 1701 endured for three-quarters of a century and then became the basis for Pennsylvania's state constitution, adopted in 1776.

Collecting rent due Penn as proprietor was always a headache. He never earned enough from the colonies to offset the costs of administration which he paid out of his personal capital. Toward the end of his life, he complained that Pennsylvania was a net loss, costing him some £30,000.

Penn's practices contrasted dramatically with other early colonies, especially Puritan New England which was a vicious theocracy. The Puritans despised liberty. They made political dissent a crime. They

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whipped, tarred, and hanged Quakers. The Puritans stole what they could from the Indians.

Penn achieved peaceful relations with the Indians—Susquehannocks, Shawnees, and Leni-Lenape. Indians respected his courage, because he ventured among them without guards or personal weapons. He was a superior sprinter who could out-run Indian braves, and this helped win him respect. He took the trouble to learn Indian dialects, so he could conduct negotiations without interpreters. From the very beginning, he acquired Indian land through peaceful, voluntary exchange. Reportedly, Penn concluded a "Great Treaty" with the Indians at Shackamaxon, near what is now the Kensington district of Philadelphia. Voltaire hailed this as "the only treaty between those people [Indians and Christians] that was not ratified by an oath, and that was never infringed." His peaceful policies prevailed for about 70 years, which has to be some kind of record in American history.

Defending Pennsylvania

Penn faced tough challenges defending Pennsylvania back in England. There was a lot at stake, because Pennsylvania had become the best hope for persecuted people in England, France, and Germany. Charles II tried to establish an intolerant absolutism modeled after that of the French King Louis XIV. Concerned that Pennsylvania's charter might be revoked, Penn turned on his diplomatic charm.

Behind the scenes, Penn worked as a remarkable diplomat for religious toleration. Every day, as many as 200 petitioners waited outside Holland House, his London lodgings, hoping for an audience and help. He intervened personally with the King to save scores of Quakers from a death sentence. He got Society of Friends founder George Fox out of jail. He helped convince the King to proclaim the Acts of Indulgence which released more than a thousand Quakers—many had been imprisoned for over a dozen years.

Penn's fortunes collapsed after a son was born to James II in 1688. A Catholic succession was assured. The English rebelled and welcomed the Dutch King William of Orange as William III, who overthrew the Stuarts without having to fire a shot. Suddenly, Penn's Stuart connections were a terrible liability. He was arrested for treason. The government seized his estates. Though he was cleared by November 1690, he was marked as a traitor again. He became a fugitive for four years, hiding amidst London's squalid slums. His friend John Locke helped restore his good name in time to see his wife, Guli, die on February 23, 1694. She was 48.

Harsh experience had taken its toll on Penn. As biographer Hans Fantel put it, "he was getting sallow and paunchy. The years of hiding, with their enforced inactivity, had robbed him of his former physical strength and grace. His stance was now slightly bent, and his enduring grief over the death of Guli had cast an air of listless abstraction over his face." His spirits revived two years later when he married 30-year-old Hannah Callowhill, the plain and practical daughter of a Bristol linen draper.

But he faced serious problems because of his sloppy business practices. Apparently, he couldn't be bothered with administrative details, and his business manager, fellow Quaker Philip Ford, embezzled substantial sums from Penn's estates. Worse, Penn signed papers without reading them. One of the papers turned out to be a deed transferring Pennsylvania to Ford who demanded rent exceeding Penn's ability to pay. After Ford's death in 1702, his wife, Bridget, had Penn thrown in debtor's prison, but her cruelty backfired. It was unthinkable to have such a person govern a major colony, and in 1708 the Lord Chancellor ruled that "the equity of redemption still remained in William Penn and his heirs."

In October 1712, Penn suffered a stroke while writing a letter about the future of Pennsylvania. Four months later, he suffered a second stroke.

While he had difficulty speaking and writing, he spent time catching up with his children whom he had missed during his

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missionary travels. He died on July 30, 1718. He was buried at Jordans, next to Guli.

Long before his death, Pennsylvania ceased to be a spiritual place dominated by Quakers. Penn's policy of religious toleration and peace—no military conscription—attracted all kinds of war-weary European immigrants. There were English, Irish, and Germans, Catholics, Jews, and an assortment of Protestant sects including Dunkers, Huguenots, Lutherans, Mennonites, Moravians, Pietists, and Schwenkfelders. Liberty brought so many immigrants that by the American Revolution Pennsylvania had grown to some 300,000 people and became one of the largest colonies. Pennsylvania was America's first great melting pot.

Philadelphia was America's largest city with almost 18,000 people. It was a major commercial center—sometimes more than a hundred trading ships anchored there during a single day. People in Philadelphia could enjoy any of the goods available in England. Merchant companies, shipyards, and banks flourished. Philadelphia thrived as an entrepôt between Europe and the American frontier.

With an atmosphere of liberty, Philadelphia emerged as an intellectual center. Between 1740 and 1776, Philadelphia presses issued an estimated 11,000 works including pamphlets, almanacs, and books. In 1776, there were seven newspapers reflecting a wide range of opinions. No wonder Penn's "city of brotherly love" became the most sacred site for American liberty, where Thomas Jefferson wrote the Declaration of Independence, and delegates drafted the Constitution.

By creating Pennsylvania, Penn set an enormously important example for liberty. He showed that people who are courageous enough, persistent enough, and resourceful enough can live free. He went beyond the natural right theories of his friend John Locke and showed how a free society would actually work. He showed how individuals of different races and religions can live together peacefully when they mind their own business. He affirmed the resilient optimism of free people. □

Henry Salvatori—A Man of Integrity

by James L. Doti

Everyone seems to have strong beliefs these days. No one seems to be reticent about sharing those beliefs with anyone who will listen. Whether it is a question about government being bigger or smaller or taxes being higher or lower or welfare spending going up or down, most people have definite views.

Dr. Doti is President of Chapman University in Orange, California.

What is uncommon nowadays is not people with strongly held beliefs but people who are willing to put their beliefs into action. I have had the honor and privilege to come to know personally a wise man who has the guts and fortitude to act on his convictions.

Henry Salvatori's deep and abiding love for the United States, which is based on the opportunity that awaited him and his immigrant family when they arrived from Italy in

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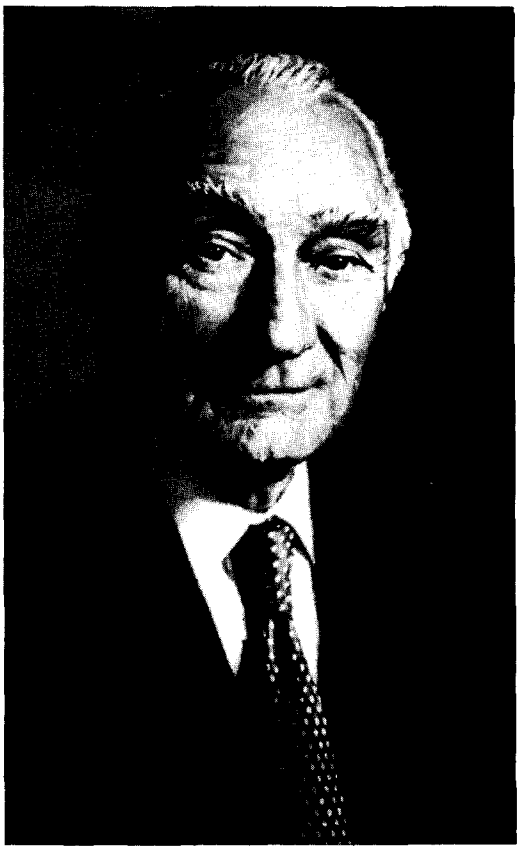
1906, drives his desire to see that our youth acknowledge what made our country great. This desire finds expression through the Henry Salvatori Foundation—a foundation established to help preserve and revitalize America's founding principles and ensure that we do not lose sight of what our forefathers created.

In a society where academe is increasingly dominated by the multicultural view that the United States has no shared culture and nothing special to offer the rest of the world, American values and traditions may strike one as outdated. But before concluding that promoting such values and traditions is an anachronistic attempt to stimulate a blind and jingoistic patriotism, one should look at the visionary life's work of Henry Salvatori.

After graduating from the University of Pennsylvania in 1923, he received a master's degree in physics from Columbia University in 1926. Mr. Salvatori played a leading role with the development of the seismic method of oil exploration that is still an industry standard. In 1933, he founded Western Geophysical Company. Under his ownership and leadership, it became a great success in providing geophysical exploration services to the oil industry in the United States and world wide.

Long before the subject of computer science became fashionable in higher education, Henry Salvatori's passion for scientific development led him to establish a computer science center and chair in computer science at the University of Southern California and a chair in computer and cognitive sciences at the University of Pennsylvania.

Mr. Salvatori's forward thinking was also evident in the area of political philosophy. His financial assistance to William Buckley Jr. in the 1950s helped start the *National Review*. When the Great Society was in full bloom in the late 1960s, The Henry Salvatori Center for the Study of Individual Freedom in the Modern World was established at Claremont-McKenna College. He was an early supporter of the Intercollegiate Studies Institute, which among its many other activities oversees The Salvatori Center for American Founding Studies at Boston University.



Henry Salvatori

After chairing Barry Goldwater's presidential campaign in California, Henry Salvatori was instrumental in convincing Ronald Reagan to run for governor, thereby launching a career that would lead to the presidency and the Reagan revolution. During those revolutionary years when the New Deal coalition unraveled, Henry Salvatori was part of Reagan's "Kitchen Cabinet."

Given Mr. Salvatori's penchant for backing trends long before they become popular, it is not surprising that he has been a long-time financial supporter of the Heritage Foundation, a think tank in Washington, D.C. committed to the Jeffersonian philosophy of limited government.

The establishment of the Henry Salvatori Foundation is an earnest attempt to make coming generations aware of the great truths

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that lie at the heart of our country's constitutional order. While it may strike one as unfashionable to help young people now and in the future better understand our nation's traditions, heritage, and common culture, it is probably more important than ever to be enlightened by the ideas of federalism, the separation of powers, free markets and free speech, individual rights, the culture of principled dissent, and the dangers of majoritarian rule. In a world slowly sliding into intolerance and rigidity, a rigorous examination of individual freedom and responsibility seems to take on heightened importance.

Political Correctness Takes Hold

A recent article by Evan Gahr in *The Wall Street Journal* (January 27, 1995) points out that most major foundations are bankrolling political correctness on college campuses across the nation. Gahr cites the work of a project director for several Ford Foundation grants, Johnella Butler, who wrote in a recent essay: "We are only beginning to undo the effects of the distortions set in motion 500 years ago when Columbus brought massacre and the most brutal form of slavery known to these shores, all in the interest of spreading Western civilization with all its long lasting assumptions of racial, cultural and male superiority."

Are those the assumptions of Western civilization? What about the Greeks' reliance on reason and rational disputation in advancing the search for truth or the Judeo-Christian tradition of independence from the state? What about John Locke's view of "natural law" or the English tradition of freedom and limits on the tyrannical use of power? What about Adam Smith and laissez faire?

And what about our Constitution—a work of creative genius with its separation of powers, checks and balances, and Bill of Rights that seeks to limit the power of government and provide personal freedom and equality under the law? Certainly, few would deny the significance of the Constitution—perhaps the finest document ever written for the establishment of self-government. Yet, the Constitution was not among the 31 "standards" included by the authors of the soon-to-be-released list of "National Standards for United States History" that these authors believe are critical for student understanding.

Herman Cubillos, a former foreign minister of Chile, recently stated:

> The countries of Latin America have always looked for example to the world's great melting pot, the U.S. Now we see that the U.S. is exacerbating its intergroup differences by making group membership the basis for government favors and handicaps, as well as by treating the culture of George Washington and Abraham Lincoln as an embarrassing anachronism. If the U.S. doesn't want to sink into the Third World out of which we are rising, it must treasure its culture.

Establishing a foundation committed to supporting efforts that lead to an enlightened love of our country and the justice and nobility of its heritage is not passé. These are values and traditions that should not be shunted aside but rather examined carefully in order to understand the challenges to our society posed by the ideas of freedom and reason. Henry Salvatori has again been a visionary in identifying a need before the rest of the pack—namely the need to encourage scholarship and teaching that foster the articulation of those great truths that lie at the heart of freedom.

I recently asked Henry Salvatori what he believes is the secret for success. He replied briefly but succinctly, "There should be complete and absolute integrity in everything one does."

It is Henry Salvatori's integrity that not only gives him the courage of his convictions but also the qualities of heart and mind that lead him to act on those strongly held convictions. To those of us concerned about preserving American values and traditions, it is reassuring to know that one person can still make a significant difference in the world. □

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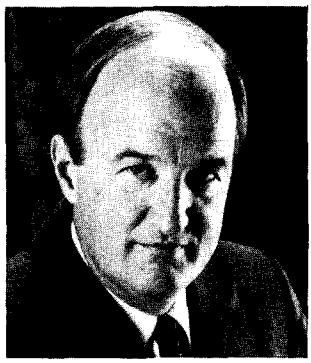

Econ 101: Do We Really Need Another Samuelson?

"Every economics editor in the business has been looking for the new Samuelson since the 1970s."

—*The New York Times*, March 14, 1995

The economics profession is all abuzz with the news, recently announced in *The New York Times,* that N. Gregory Mankiw, a 37-year-old economics professor at Harvard, was paid an incredible $1.4 million advance by Harcourt Brace to write the next "Samuelson" textbook.

What Harcourt Brace is hoping for is a blockbuster textbook that will shape the thinking of the 1.5 million college students who take Economics 101 each year. Paul Samuelson, the Nobel Prize-winning MIT economist, set the standard when his new Keynesian-style textbook took colleges by storm following World War II. Since its first edition in 1948, Samuelson's *Economics* has sold over 4 million copies and been translated into an estimated 41 languages. But Samuelson is 80 years old and his textbook, now in its 15th edition, is no longer considered *avant garde*.

Can the youthful Professor Mankiw fill his shoes? Frankly, I doubt it. Anyone who named his dog Keynes is not likely to write a breakthrough textbook reflecting the new realities of a market-driven global economy. The next breakthrough textbook must be post-Keynesian, if not anti-Keynesian, in tone.

A Short Review of Samuelson's Textbook

But do we really want another Samuelson textbook? I think not. His textbook may have been a bestseller, but it fails miserably on a number of counts to teach sound economics. As part of an independent study at Rollins College, one of my students and I systematically reviewed all 15 editions of *Economics* and found numerous errors of commission and omission.

Among the sins of commission, Samuelson stressed time and again that the key to economic stability and growth was to encourage big government and a high propensity to consume. Saving, he said, was only beneficial at times of full employment. But full employment was historically exceptional, which meant that most of time saving was "perverse" because it caused money to "leak" out of the system. According to Samuelson's "paradox of thrift," higher savings means lower economic growth, a conclusion that flies in the face of all historical evidence.[1]

In introducing the Keynesian "balanced-budget multiplier," Samuelson argued that federal spending was more stimulative than a tax cut of equal size (because part of a tax cut would be saved).

He accepted at face value Soviet growth statistics, declaring in his 12th edition (1985)

Dr. Skousen is an economist at Rollins College and editor of Forecasts & Strategies, *an investment newsletter.*

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that the Soviet economy since 1928 "has outpaced the long-term growth of the major market economies," including the U.S., the U.K., Germany, and Japan. In his 13th edition, written a year before the collapse of the Berlin Wall, he boldly declared, "The Soviet economy is proof that, contrary to what many skeptics had earlier believed, the socialist command economy can function and even thrive." Not surprisingly, the word "thrive" was dropped from the next edition.

In my reading of his textbooks, I found that Samuelson failed repeatedly to anticipate the major economic problems and issues of the future: he failed to foresee the inflationary recessions of the 1970s, the banking crisis of the 1980s, and the collapse of socialist central planning in the 1990s. In addition, he has been an unwavering apologist for the Welfare State, the Federal Reserve and the current Social Security system, a grossly expensive and inefficient way to finance old-age retirement.

Sins of Omission

One of the great tragedies of Samuelson's textbook is his failure to include adequate references to the free-market schools of economics. In his Family Tree of Economics, no mention is made of the Chicago school of Friedman, Stigler, Knight, or Simons until 1985. In earlier editions, Samuelson discusses the Quantity Theory of Money but omits any references to Irving Fisher, the father of the Quantity Theory, or to Milton Friedman. One of his first citations of Friedman is a misquote ("We are all Keynesians now"). The Austrian school of Mises, Hayek, and Rothbard is never mentioned at all in the Family Tree of Economics. Schumpeter, his own teacher at Harvard, is given only a cursory reference.

Samuelson devotes one paragraph to the post-war German economic recovery. He says virtually nothing about the Japanese economic miracle, or the incredible growth of Hong Kong, Singapore, Korea, and Taiwan (the four tigers). No mention is made of the Chile Model, which more and more Latin American nations are emulating. There's no discussion of the exciting new worldwide trend of privatization (or Chile's successful privatization of its Social Security system). Meanwhile, Samuelson has always devoted numerous pages to the failed socialist economics of the Soviet Union and China.

I could go on and on, but you get the point. The economics profession desperately needs a new textbook in economics, but not one that simply imitates and emulates Samuelson.

Desperately Seeking a New Textbook

Slowly but surely, free market economists are making headway in the textbook field. College textbooks with a free-market bent have been written by Gwartney and Stroup, Dolan and Lindsey, and Roger Leroy Miller, among others. Unfortunately, they all suffer from unsound macro sections. For example, these authors don't believe in aggregate supply and demand (AS-AD), but they are forced to include them. Paul Heyne's *Economic Way of Thinking* (Macmillan, 1994) omits AS-AD diagrams in its 7th edition, but it is considered primarily a micro text.

In short, there is no real sensible college textbook on the market today offering a sound theory of macroeconomics. I am attempting to fill this gap with my forthcoming textbook, *Economic Logic*. This is a revolutionary new approach to teaching economics, integrating the concepts of business, finance, and economics in both micro and macro. So far I've written six chapters, and hope to finish the first draft this year. Several major publishers are interested, but they need evidence that other professors will adopt it. I will send a copy of the manuscript to any college professor who would be willing to make comments to improve the contents. Send your inquiry to me at P.O. Box 2488, Winter Park, Florida 32790. □

1. For a critique of Samuelson's infamous "paradox of thrift," see my work, *The Structure of Production* (New York University Press, 1990), pp. 244–59, and *Economics on Trial* (Irwin, 1991), pp. 47–62. Also, James C. W. Ahiakpor, "A Paradox of Thrift or Keynes's Misrepresentation of Saving in the Classical Theory of Growth?", *Southern Economic Journal*, July, 1995.

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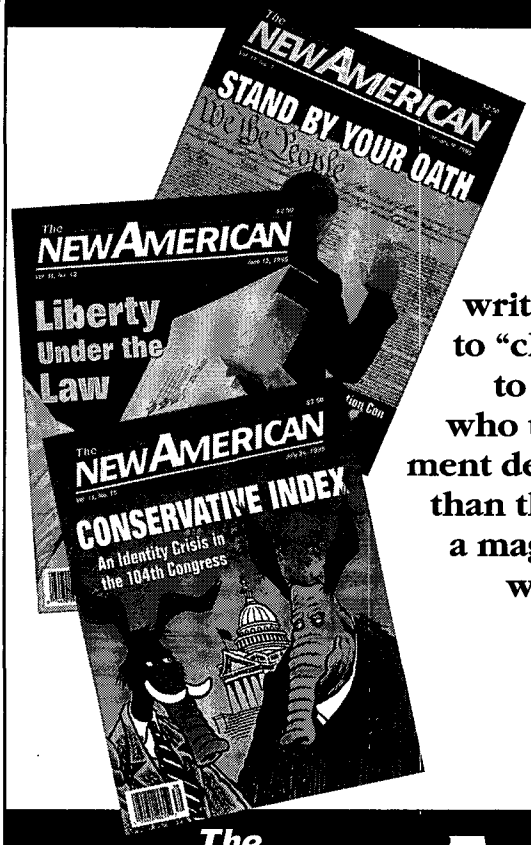

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BOOKS

Free to Try

Introduction by Hans F. Sennholz

The Foundation for Economic Education, Inc. • 1995 • 156 pages • $14.95 paperback (special price until October 31: $11.95)

Reviewed by William H. Peterson

Where else in America but in law-passing, tax-imposing, and regulation-issuing Washington, D.C., is private success so roundly condemned? And where else is it so punished, especially when it involves entrepreneurship and "the rich"?

(A measure of U.S. "capital" punishment is seen in the climb of the top income tax rate from 28 percent in 1987 to 39.6 percent today. Said President Clinton in his 1994 State of the Union Address: "Only the top 1—yes, listen—only the top 1.2 percent of Americans, as I said all along, will face higher income tax rates.")

I ask: Where? But perhaps the sharper question is: Why?

Back in 1966 German sociologist Helmut Schoeck gave one answer to why in his pathfinding book, *Envy*. Envy is a major force shaping—really distorting—man and society, history and politics, says Schoeck. He finds it rearing its ugly head from Greek democracy 2,500 years ago to Western democracy today.

How good then to get this FEE collection of essays from *The Freeman* glorifying future-oriented entrepreneurship, justifying the rich, and excoriating the politics of envy.

Such politics can be seen in the progressive income tax—a tax called for, by the way, in Marx's 1848 *Communist Manifesto* as a means of undermining capitalism. It can be seen again in the current opposition to a flat tax or a cut in the entrepreneur-strapping capital gains tax—a cut which opponents unjustly and counterproductively brand a "handout" to the rich. (A handout to the nonrich, including the poor, is closer to the mark.)

Indeed, entrepreneurship along with capital investment is the secret of American prosperity. More often than not, the rich gain their wealth through entrepreneurship. In a brief but pungent essay here, Ludwig von Mises portrays the entrepreneur as indispensable to a free society, as one who enriches that society, as the driving force behind the whole market system, as a kind of an unsung hero who in a sense shares his wealth with society through what Mises called "social liability," his recognition that investments have to be monitored scrupulously, that they can and do fail.

In his introduction to this volume, FEE's Hans Sennholz hails futurists and visionaries like John D. Rockefeller, J. P. Morgan, and Henry Ford. These giants bequeathed capital investment, industrial might, and labor productivity to succeeding generations of Americans.

The rub is that Americans are largely ignorant of this bequest, are apt to snap at "robber barons," and vote anticapitalists into office. A deadly business. Cautions Dr. Sennholz in punchy terms: "The future is purchased today. We have a number of choices. But all sales are final."

In a refreshing essay, contributor Jane Shaw of the PERC research center in Bozeman, Montana thanks the entrepreneurship behind Bozeman eateries for gastronomic delights. She calls attention to George Gilder's idea that entrepreneurs are "givers"—altruistic people who give first and get rewards later, *if* profits kick in.

Contributor Israel Kirzner of New York University says the glory of free enterprise lies in its ability to attract vigorous and imaginative individuals who establish long-run capital-conserving *profitable* firms—profitable to themselves and, of at least equal importance, profitable to their customers, i.e., to the American consumer.

Wal-Mart is such a firm and its founder Sam Walton was such an entrepreneur, notes David Laband of Auburn University's economics department in his contribution. Dr. Laband sees Wal-Mart giving significant benefits to its customers and a hard time to its big competitors such as Sears and K-Mart and to its local, small competitors such as independent drug and hardware stores.

But that competition is anything but "unfair," as charged by many of Wal-Mart's rivals. As he writes: "It is true that Wal-Mart's competitors lost business. However, let's get the cause and the effect straight: Wal-Mart never put anybody out of business, *American consumers* (his emphasis) did."

Chinese consumers in Beijing's big 500-seat, fast-food Kentucky Fried Chicken restaurant also exercise quite a degree of sovereignty, observes contributor Lawrence Reed of Michigan's Mackinac Center. But that sovereignty and Kentucky Fried Chicken's entrepreneurship are

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still held back in post-Mao, ongoing socialist China.

The Chinese government, for example, insists on majority ownership. Kentucky Fried Chicken's share is held to 40 percent. Too, its management has to put up with state-set wages and a state-owned utility refusing to provide any heat before November 15th or after March 15th, regardless of any intervening but not uncommon freezing weather.

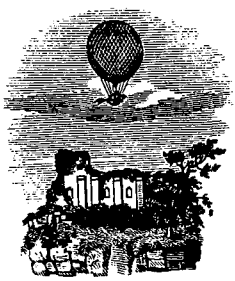
In his contribution, the Reverend John K. Williams of Australia tells of Ralph Nader on a speaking tour Down Under, with the so-called consumer advocate suggesting to Aussies that "big business" executives should be sent to prison for defrauding the public. The suggestion received rapturous applause. Reverend Williams attributes that applause to what he calls "the business bogey."

No doubt about the bogey. Throughout the West the highly constructive role of business in society is not only very often unappreciated at the university lectern, church pulpit, editorial office, and so on but, ironically, all too frequently by businessmen themselves.

Mr. Businessman, in other words, often inadvertently supports anticapitalist causes by mindlessly sending a check to his left-wing alma mater. Or he lets the battle of ideas go by default. Comments John Williams: "That is his failing, and possibly his fatal failing." He might have added a line from FEE writer Admiral Ben Moreell back in the 1950s: to communism via majority vote.

This reviewer, on the firing line of defending the rich for more years than he cares to remember, suggests: Let those critics attacking "greed" and "fat cats" redirect their frustration into a new outlet: Don't get mad, get even—get rich. Remember, critics, you's free to try. But watch out: You may become the butt of your own diatribes. □

Dr. Peterson, an adjunct scholar at the Heritage Foundation, is the Distinguished Lundy Professor Emeritus of Business Philosophy at Campbell University in North Carolina.



The Tyranny of Numbers

by Nicholas Eberstadt

AEI Press, Washington, D.C. • 1995 • 305 pages • $24.95 cloth

Reviewed by Julian L. Simon

In this book about political systems, economic development, and demography, Nicholas Eberstadt displays a firm grasp on the right end of the stick. His data well demonstrate his unifying theme, which is that to understand social phenomena, we must look at experience over a long stretch of time, across a varied group of countries, and with as large a sample of countries as possible. It is because they do exactly the opposite that the doomsters arrive at precisely the wrong conclusions about the way that things are going in society.

Among the specific issues that Eberstadt deals with are poverty, health, life expectancy, infant mortality, population growth, and economic development. These issues are discussed in the comparative context of capitalistic United States and socialistic Eastern Europe and Asia. Eberstadt is well-skilled to tackle these topics. He is a fine demographer, and his 1976 article in *The New York Review of Books* on world food production—written at age 19—was as good an attack on prevailing false common beliefs as was written in that decade.

The basic idea in the book is that wealth leads to health and long life, political freedom leads to wealth, and therefore in the long run political freedom leads to health and the other good things of life.

The Communist bloc—of which Eberstadt is a very competent scholar—will long remain the classic proof of this truth. For example, life expectancy in eastern Europe has been declining during the past decades, whereas everywhere else in the world it has been rising. Part of the explanation may be the enormous pollution of air and water that is inevitable under Communism, and perhaps it is related to the fascinating patterns of smoking and drinking about which Eberstadt presents data. But the most important reason almost surely is the decline in the overall standard of living in those countries.

To illustrate Eberstadt's position that not consulting the long view of history leads to unsound conclusions, consider the public's beliefs about black infant mortality. Almost everyone's reaction is that black infant mortality is a

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bad situation. But look at the decreases in black and white infant mortality in the United States since 1915. In 1915 white infant mortality was almost 100 deaths per 1,000 births, and black infant mortality was fully 180 deaths per 1,000 births. Both are horrifying. And the rates were even more horrifying in earlier years in some countries—up to 300 or 400 deaths per thousand births.

Nowadays white infant mortality is about eight per thousand, and black infant mortality about 16 per thousand. Of course it is regrettable that mortality is higher for blacks than for whites. But should we not be impressed by the tremendous improvement for both races—both falling to about ten percent of what they were—with the black rate coming ever closer to the white rate? Is not this extraordinary improvement for the entire population the most important story—and a most happy story? Yet the press gives us the impression that we should be mainly distressed about the state of black infant mortality. This is the error of thought that Eberstadt warns us against.

Someone once said to Voltaire: "Life is hard." Voltaire replied: "Compared to what?" Every evaluation requires that we make some sort of comparison. And the comparisons one chooses to make are decisive in the judgments one makes about whether things are getting better or worse.

Though the ideas in *The Tyranny of Numbers* are sound and important, and should be part of the mental contents of every policymaker in our society, the book is not a great success as a monograph. It cannot claim novelty because its ideas are not new; they are the staples of classic liberal thought about economic development, as exemplified by Lord Peter Bauer, Margaret Thatcher's first economic guru. And the main conclusions are only implicit rather than explicit because the volume lacks integration. It reads more like a set of essays than like a book with a basic unifying theme. Additionally, the art of making a book from separate essays was scanted by both author and editor. Similar material pops up in several parts of the book.

But leave those cavils aside. The content of the book is sound and important. The more policymakers who read it, the better. And there are lots of interesting data, even for the scholar. □

Dr. Simon is the author of The State of Humanity *and* The Ultimate Resource *(2nd edition forthcoming).*

The Death of Common Sense: How Law is Suffocating America

by Philip K. Howard

Random House • 1994 • 202 pages • $18.00

Reviewed by James L. Payne

It is rare that a book should carry in its title a double entendre so embarrassing to the author. Howard intends to say that common sense has died in the morass of modern law and legal regulation, which he finds wasteful, counterproductive, and laughably ineffective. "Modern law has not protected us from stupidity and caprice," he says, "but has made stupidity and caprice dominant features of our society." The book lays bare regulation's ugly underbelly, with case after case of silly governmental action angrily recounted by the author.

So what should we do about it? Here the reader is treated to a second death of common sense: Mr. Howard's. He just can't bring himself to see that the solution to the abuses of government is less government.

The opening case nicely illustrates his hangup. Mother Teresa's Missionaries of Charity wanted to reconstruct a burned-out building in New York City to make it into a homeless shelter. They didn't want, and would refuse to use, an elevator, but city regulations insisted they spend the extra $100,000 to put one in anyway. As a result of the impasse, the nuns gave up on the project. Howard is appalled by this outcome. "There are probably 1 million buildings in New York without elevators. Homeless people would love to live in almost any one of these."

What's the way to prevent this kind of regulatory absurdity? The common sense reply is: get government out of deciding things like who must have an elevator. How could a government agency ever have the wisdom and sensitivity to know, for scores of thousands of different buildings every year, when an elevator was appropriate and when not? Let owners, architects, builders, and tenants figure it out.

This answer never occurs to Howard, not in this case and not in connection with the dozens of other regulation horror stories he presents. He's a man of the left, it appears, with the old New Dealer's deep, unexamined faith in government. He believes it should manage everything: schools, medicine, businesses, environment, safety, housing, zoning. Anyone who suggests government is overextended, he says in an im-

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patient aside, is guilty of "dreaming of an agrarian republic." Howard is the first to agree that all this massive regulation has gone painfully wrong, but that doesn't mean that the idea of big government is flawed; it's just been carried out incorrectly.

What's the right way to do it, then? How do we avoid dehumanizing red tape, bureaucracy, and litigation, and still give government the power to regulate everything in sight? Howard doesn't stress his answer, but it clearly lurks in his pages: we give government officials arbitrary power to regulate as they see fit. "When we demand that the welfare state address difficult human problems like poverty and homelessness, and ordinary ones like education, we must allow the humans doing the job to operate appropriately."

To Howard's way of thinking, bureaucrats should be free to use their own judgment in deciding who has to have an elevator, let us say. When Mother Teresa comes by, he assumes they would let her off the hook. But Howard doesn't seem to worry about the negative side of this arbitrary power. What happens when someone rubs an official the wrong way and is ordered to put an elevator in his dog's house? He can't be permitted to complain to anyone. If the courts hear the case, that would restart the litigation engine Howard so deplores. Appealing to a councilman or congressman would lead to the massive legislation he has spent his book criticizing. So taxation with representation must go by the board. Obviously, Howard hasn't thought through his idea "to let bureaucrats loose without precise instructions."

Judging from this book's great popularity, there are lots of people these days in the same boat with Howard: they hate how government works but they still believe in it. It hasn't yet dawned on them that government is based on force, and that no matter how you slice it, force is a defective foundation for social reform. □

Dr. Payne, a contributing editor of The Freeman, *is director of Lytton Research and Analysis and the author of* Costly Returns: The Burdens of the U.S. Tax System.

The Careless Society: Community and Its Counterfeits

by John McKnight

Basic Books • 1995 • 185 pages • $21.00

Reviewed by Doug Bandow

There is little doubt that the sinews of American society have weakened over the last 40 years. One need not treat the 1950s as a long-lost utopia to recognize that families are now more likely to break up and, indeed, not to form at all; that communities are crumbling as they fill with fractured families; and that even prosperous middle America seems ever-less cohesive.

What is the cause of this phenomenon, which has created a social catastrophe in many inner cities? Much of it results from misguided and perverse government policies, as John McKnight, now at Northwestern University, details. But he identifies a broader villain: professionalism. As he explains, "our problem is not ineffective service-providing institutions. In fact, our institutions are too powerful, authoritative, and strong. Our problem is weak communities, made ever more impotent by our strong service systems."

His is a provocative, if somewhat misguided, thesis. In virtually every aspect of life—medicine, poverty, crime—McKnight contends that professionals are taking over. The result has been to "destroy the sense of community competence by capturing and commodifying the citizens' capacity to solve problems and to care." We have become a nation of clients.

McKnight directs much of his fire at the medical profession. He is mightily irritated with physicians for reasons that are not entirely clear. For instance, he seems to blame doctors for the fact that Americans like to engage in unhealthy activities and then want to be healed. In such cases doctors are merely responding to our irresponsibility.

Still, this desire that someone else counteract the effects of our own foolishness suggests a serious moral problem. The fault lies not with the servers, but with us, for believing that responsibility for solving our problems lies outside of ourselves.

This tendency to yield control is perhaps most evident in the field of social services, where *The Careless Society* is at its most persuasive. Here we see coercion at work, with the government using taxpayers' money to foist "services" upon

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the most vulnerable members of our society. As McKnight reports, the resulting picture is not pretty:

> When the services grow dense enough around people's lives, a circular process develops. A different environment is created for these individuals. The result of a noncommunity environment is that those who experience it necessarily act in unusual and deviant ways. These new ways, called inappropriate behavior, are then cited by service professionals as proof of the need for separation in a forest of services and for more services.
>
> The disabling effect of this circular process is devastating to the client and to our communities.

Not surprisingly, the rangers in this forest of services develop into a potent political lobby. As a result, complains McKnight, the bulk of "anti-poverty" spending goes to the largely middle-class servers, whose incentive is to create yet more programs. This tends to push out genuine citizen activists, who offer the intimate personal relationships which are what community is all about.

The loss caused by this sort of social service imperialism is enormous, but intangible. Even the poorest communities, when convinced that they control their own destinies, can achieve much. McKnight details the case of one Chicago neighborhood where local activists assessed the most common reasons for treatment at the local hospital, and then began addressing problems like dog bites. Rather than marching on city hall, they used local block clubs to create a system of bounties for stray dogs. The number of bites went down and, reports McKnight, "the people began to learn that their action, rather than the hospital's, determines their health."

How to encourage more of such activism? McKnight emphasizes deregulation. People and communities must be free to act, he writes, yet "in thinking about extending spheres of free action, one is constantly impressed by the barriers imposed by various forms of state regulation." Although these restrictions are always defended as protecting the public, McKnight warns that "they are usually means to ensure professional monopolies, central authority, and preferred technologies."

Eliminating barriers is not enough. The author also worries about jobs and economic growth, though his more interventionist economic proposals contradict the lessons that he advances about the failure of government central social planning. Moreover, he emphasizes the role of associations, which are "the result of people acting through *consent*." Officials have to recognize the power of this voluntary sector, for it, observes McKnight: "provides a social tool in which consent is the primary motivation, interdependence creates wholistic environments, people of all capacities and fallibilities are incorporated, quick responses are possible, creativity is multiplied rather than channeled, individualized responses are characteristic, care is able to replace service, and citizenship is possible." In short, community is the most important antidote for what ails us.

McKnight closes with an interesting reflection on Christianity, which has provided such an impulse for service. Would Christ approve of today's institutionalization of service, asks McKnight? Not if Christ saw "help becoming control, care becoming commercialized, and cure becoming immobilizing." Rather, McKnight argues, the highest expression of service is people helping people. Ultimately, he argues, we should seek not to be servants, but friends, which Christ proclaimed his disciples to be during the Last Supper. As McKnight so nicely concludes a powerful, though at times flawed, book: "In our time, professionalized servants are people who are limited by the unknowing friendlessness of their help. Friends, on the other hand, are people liberated by the possibilities of knowing how to help each other." □

Doug Bandow is a Senior Fellow at the Cato Institute and the author of The Politics of Envy: Statism as Theology *(Transaction).*

Economic Thought Before Adam Smith—An Austrian Perspective on the History of Economic Thought, Volume 1

by Murray N. Rothbard

Edward Elgar • 1995 • 556 pages • $99.95

Reviewed by Gregory P. Pavlik

Libertarian theory did not emerge from a vacuum. Yet, often it seems that the deepest antecedents that movement libertarians would bequeath to us lie in the Enlightenment. Indeed, some would not proceed backward past Ayn Rand. The truth is, libertarian thought has an ancestry extending down through the ages to

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antiquity. To be specific, those roots are both Western and Christian. There can be no clearer exposition of this fact than the last major work of Murray Rothbard.

Economic Thought Before Adam Smith is a deceptively titled volume. It is actually a full-blown history of ideas from a natural rights-natural law perspective in philosophy as well as a critique of economic doctrine and theory from within the Misesian paradigm of mainstream Austrian economics. Professor Rothbard's treatment is a thorough overview of the roots of the libertarian system that informed his life's work.

This book is all the more valuable for Rothbard's general approach to historiography. Working through the Austrian paradigm, Rothbard delivers a devastating blow to the standard chronology of economic theory as a linear and correct development from Adam Smith to modern neo-classical economics.

As the title implies, there was a wealth of analysis developed before the time of Adam Smith. Although most was imbedded in moral theology or appeared in fragments, a body of sound economic thought existed, much emerging from Thomistic Scholasticism. One of the most impressive examples of advanced theoretical contributions was the fourteenth-century French philosopher Jean Buridan de Bethune, who was responsible for "the virtual creation of the modern [Austrian] theory of money." As Rothbard explains:

> Foreshadowing the Austrians Menger and von Mises, Buridan insisted that an effectively functioning money be composed of a material possessing a value independent of its role as money. . . . Buridan went on to catalogue those qualities that lead the market to choose a commodity as a medium of exchange . . . portability, high value per unit weight, divisibility, and durability.

In short, a sophisticated commodity theory of money. This served the additional function of beginning to sever monetary theory from the Aristotelian notion of money as a unique creation of the state, barren of intrinsic value, that plagued early economic considerations, and formed the basis of the early Christian prohibitions on interest.

It is most informative to note that there were in fact modern general treatises on economics that preceded Adam Smith, the most important being *Essai Sur La Nature Du Commerce En General*, by the "gallicized Irish merchant" Richard Cantillon. Cantillon was sound on his analysis of market pricing, providing a sophisticated discussion of consumer demand coupled with supply. He was "the first to stress and analyze the entrepreneur." Cantillon's work pioneered "spatial economics . . . the analysis of economic activity in relation to geographic space." Most importantly, all of this was done some 70 years before Adam Smith, the alleged father of economics.

The subject of Adam Smith is where Rothbard will perhaps raise the most eyebrows. He is almost without exception hostile, deeming Smith a proto-Marxist, and, following Schumpeter, an obstacle for the development of sound economic theory. For Rothbard, Smith interjected the labor theory of value into economics and pioneered an extreme variant of the egalitarianism that plagues political dialogue to this day. Contrary to conventional wisdom, Rothbard holds that even Smith's famous "invisible hand" was not original, and that Smith's emphasis on the division of labor neglected the importance of specialization in the economy as a whole. In the wake of Rothbard's dissection, laissez-faire promoters of Adam Smith have a lot of explaining to do.

Rothbard's book also serves as a history of the development of natural law theory, a discussion which moves from Aristotle through to modernity. Notable again is the emphasis on the positive role played by Christianity, and Catholicism in particular, on the emergence of a coherent natural rights-based libertarian doctrine. As the author points out, the Catholic professor at Bologna, Huguccio, in his *Summa* of 1188, established the doctrine that "private property was to be considered a sacrosanct right derived from the natural law." In theory, private property was to be immune from the aggressions of the state.

This analysis leads to an interesting reinterpretation of more well known proto-libertarian natural rights theorists like John Locke. In the case of Locke, Rothbard regards his theory as "neo-Scholastic Protestantism," a resurrection of previously held Christian doctrine regarding the natural law. Of course, there were radical innovations within the Lockean system, most importantly with regard to social contract theory. But the author's point is extremely important, and must lead to a reconsideration of the religious roots of the doctrines of political freedom.

Further, Professor Rothbard takes the reader through an in-depth analysis of the social ramifications of the Protestant Reformation, and of the great theological divides in Europe. There is an extensive survey of Mercantilism in theory and practice. The Enlightenment comes under

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scrutiny for its mysticism and perversion of libertarian doctrine. No essential subject in economic or political theory is left untouched.

This is an immensely important work, a judgment that must be reserved for a select number of titles. As a fresh history of economic theory it is invaluable. As a learned analysis of the roots of libertarian thought, it is revolutionary. This is a book that deserves to be read carefully and repeatedly. □

Mr. Pavlik is director of The Freeman *Op-Ed Program at The Foundation for Economic Education.*

Tax Free 2000: The Rebirth of American Liberty

by Murray Sabrin

Prescott Press, Inc., Lafayette, Louisiana • 1995 • 240 pages • $12.99 paperback

Reviewed by Robert W. McGee

If you hate taxes, then you'll love Murray Sabrin's *Tax Free 2000*. Dr. Sabrin traces the history and evolution of taxes from ancient times through the Middle Ages and up until the ratification of the 16th Amendment, which gave the federal government the legal authority to impose an income tax. He also analyzes the impact of taxation on the economy and concludes that taxes distort production by transferring resources from the peaceful and productive sector—the free market—to the "coercive" sector of society—the government.

If after reading chapters one through four you are not convinced the government is not your friend, then Sabrin's discussion of the government's monetary policies should convince you that the U.S. dollar could be headed for the trash can if sound money is not restored.

So how do we get out of this statist mess? Sabrin demonstrates how a taxless society would function. He systematically analyzes all levels of government spending and concludes that they do not pass the test of either efficiency or justice.

Without a foundation of freedom to guide social relations, the hallmark of a laissez-faire economy, government spending by definition creates conflict among the citizenry by creating a perpetual civil war for the spoils of taxation. Sabrin thus takes the Jeffersonian doctrine of limited government to its logical conclusion—extreme noninterference.

At the federal level, government must provide a national defense to protect the territorial integrity of the United States, but not the "democracy" of Haiti, the safety of South Korea, or the stability of the Balkans. States, counties, and municipalities also must downsize because they too deliver services by using massive coercion.

According to Sabrin, we can phase out all taxes by the year 2000 and eliminate virtually all government spending by the early years of the next century. By the next millennium Social Security, Medicare, Medicaid, foreign aid, farm subsidies, welfare, education, and all the other spending programs that have become the components of the American welfare state or mixed economy should be abolished. Sabrin asserts that both the profit and non-profit sectors would deliver the services the American people desire, not what the special interests want. This would be in keeping with the principles of 1776 that, he claims, were overturned in the quiet revolution of 1913, the year the income tax amendment was added to the Constitution and the Federal Reserve Act was signed into law by President Wilson.

You don't have to be a radical rightist or a libertarian to appreciate *Tax Free 2000*. If America is going to once again become a truly free country, then the income tax, sales tax, property tax, estate tax, inheritance tax, and the myriad of government depredations of the people must end. And the sooner the better.

Sabrin has offered a bold prescription for America's future. If we want to achieve both freedom and sustainable prosperity, then *Tax Free 2000* is the book we need. □

Dr. McGee teaches at Seton Hall University.

The American Revolution Resurgent

by Raphael G. Kazmann

Scott-Townsend Publishers: Washington, D.C. • 1994 • 186 pages • $15.00 paperback

Reviewed by Robert Batemarco

Take a heavy dose of principle, add some solid economic reasoning and a scattering of historical examples, leaven it with some unconventional definitions, and you have *The American Revolution Resurgent*. This book clearly lays out the consequences of America's jettisoning the constitutional republic the Founding Fathers

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bequeathed us in favor of majoritarianism. Its cogent suggestions as to how to return are unfortunately well ahead of their time.

Democracy has by and large degenerated into majorities voting themselves a share of the property of the minority. Raphael Kazmann redefines democracy as what a polity should be: one in which majority rule, *constrained by morality and justice*, is applied to solve those problems common to *all* members of society. Kazmann's natural law approach to morality and justice draws from such diverse sources as Ayn Rand and the Bible. Government actions that we take for granted permit him to provide us with many examples of the consequences of failing to adhere to the natural law. Public schooling, progressive taxation, protectionism, Social Security, and foreign aid all come in for a drubbing. On progressive taxation, for instance, Kazmann observes: "The idea that taxation should be based on the 'ability to pay' can be paraphrased as 'let's have a gradation in robbery, those who are the richest shall be robbed the most, those who are less rich shall be robbed less, but no one who earns anything shall escape.'"

Nowhere does Kazmann go further against the grain of what currently passes for democracy than in questioning the desirability of the universal franchise. He illustrates, through the example of investment clubs, that where electoral majorities have no power to transgress the rights of minorities, those less qualified to make decisions are only too glad to leave that task to those better qualified. The key here is the pursuit of a *common* goal, rather than some factions seeking to gain at the expense of others which characterizes our actual political system.

He fleshes out this notion with a plan to restrict the franchise to that 60 percent of the population with the greatest Adjusted Gross Incomes. His presumption is that those who are running their own lives successfully, at least in this single dimension, are more likely to make correct decisions in the public arena. Those who would argue that this standard may be somewhat arbitrary would have a tough time convincing anyone that the current qualification for voting, i.e., to have been breathing for the last eighteen years, is not arbitrary.

He concludes the book with five general policy proposals: stabilizing the currency, abolishing all transfer payments, maintaining order, converting our current progressive income tax to a flat consumption tax, and permitting all voluntary exchanges.

Kazmann does not skimp on specifics to back up his general points. His discussion of the harm done by government water resource programs draws on his professional training as a hydrologist. His discussions of the German hyperinflation, Social Security, and the minimum wage are filled with relevant facts soundly interpreted.

All too many free market thinkers revere democratic capitalism in a manner which emphasizes the democratic part over the capitalism. The main contribution of this work is to place the mechanism of voting in its proper place as a means rather than an end. As Kazmann concludes, "It is not the organizational structure that determines whether or not a society will survive. It is the extent to which the organizational structure conforms to the natural laws that govern human societies." □

In addition to editing the book review section of The Freeman, *Dr. Batemarco is a marketing research project manager in New York City and teaches economics at Marymount College in Tarrytown, New York.*

Government Nannies: The Cradle to Grave Agenda of Goals 2000 and Outcome Based Education

by Cathy Duffy

Noble Publishing Associates • 1995 • 263 pages • $13.00 paperback

Reviewed by Kenneth Lloyd Billingsley

Few forces in American life have postured as more messianic than public education, whose prophets predicted a golden age of creativity, equality, and prosperity if only the government could run the schools and children be forced to attend. They got their wish, and billions of dollars in the people's money, but the result was quite different.

Instead of imparting a body of knowledge and transmitting the time-honored cultural and moral values to students, American public education—really government education—serves mainly to reinforce ignorance, enhance credulity, and put its inmates at the mercy of society's eager brainwashers, with recording studios and TV cameras at their disposal. Home-education expert and curriculum consultant Cathy Duffy knows this all too well.

In the early 1800s, before we had compulsory schooling, she points out, the literacy rate surpassed that of today, when students who can read

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advertisements are considered literate. In economic education the situation is even more dismal. America's educational establishment also knows its own failures and has embarked on a grandiose program it claims will fix the problems. In this tough, well-documented book, Cathy Duffy gives them a report card.

Duffy goes to the heart of the problem with her diagnosis that American educational problems are iatrogenic, induced by the system itself, particularly in its attempts at reform. As Richard Mitchell and other educational critics have shown, even calls for reform only feed the bureaucratic brontosaurus by providing it with a pretext for yet more studies, more support personnel, and of course increased taxes. The latest of these are "Goals 2000" and "Outcome Based Education," subjects of this helpful volume.

The author shows a keen ability to translate from the language of bureaucrats, which some call "educanto." This is the pretentious dialect that calls grades "outcomes," tests "assessments," and libraries "learning resource centers." But there is no mistaking the author's purpose: to "stimulate more people to value their freedom and autonomy enough to stand against the encroachment of benevolent government-nanny programs that would keep us all perpetual children."

Goals 2000, Duffy says, includes some reforms but in reality "goes out of the classroom, into the home, beyond instruction and into indoctrination. In reality it provides the framework for a cradle-to-grave takeover of America's families." For example, the author shows how the screening processes of ostensibly benevolent "parent educators" (PEs) are based on a massive mistrust of parents. The plan's call for "partnership," Duffy says, "is shaping up to be an invasion." The official pretext is the desire that "all children shall start school ready to learn."

The intrusive PE's, Duffy shows, can easily manipulate parents into uncritical acceptance of programs under the Goals 2000 umbrella. These include the declaration of certain children "at risk." But the standards are so broad that some schools declare all students "at risk." And Duffy documents the disturbing liaisons between schools and social service agencies which, when in doubt, tend to break up families first and ask questions later.

Duffy casts doubt upon every high-minded plank in the Goals 2000 program, whose cost she estimates at up to $1 billion a year. She notes that the Elementary and Secondary Education Act is an $11 billion per year "investment" in education that even dwarfs Goals 2000.

The much-promoted Outcome Based Education (OBE) while promising improved results, turns out to rely more on the feelings of students than their thinking powers and mastery of knowledge. As the California CLAS tests confirm, it also allows schools to become yet more intrusive with students and parents.

The one certainty of such reforms is that they will be expensive. Another is that they will serve bureaucratic interests. Based on those realities the prospects for success may well be doubted. Duffy makes a convincing case that these goals could well make things worse but at the same time raises key questions for those dealing with the system.

Do children belong to the state, as in the Prussian system on which ours is based? Are citizens rapidly become slaves to the government? As C.S. Lewis put it, there is a fundamental difference between the methods of an eagle which teaches her young to fly and fend for themselves, and the poultry farmer who raises birds for the slaughter. American education is very much in the second camp. "We are faced with two choices," the author concludes, "We can choose the security of the government womb and pay the price of freedom. Or, we can choose a challenging future that holds both risks and responsibilities."

Cathy Duffy provides solid analysis to push the reader toward that more difficult second path, ringing defenses of freedom to challenge the reader, and resources to help them proceed. *Government Nannies* will prove a most useful tool for parents and educators alike in the closing years of this century. □

Mr. Billingsley is a media fellow of the Pacific Research Institute in San Francisco.

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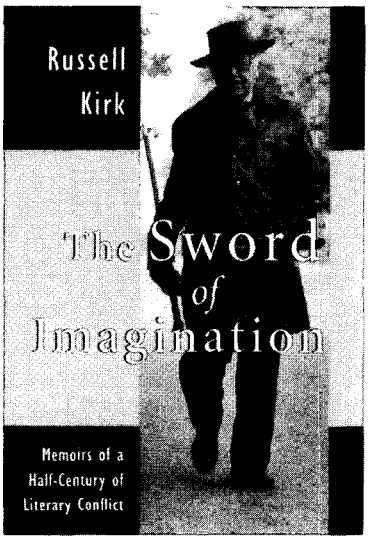

Russell Kirk's memoir and last work, *The Sword of Imagination*, is as much a chronicle of the confusion and perplexities of the twentieth century as it is autobiography. Its portraits of Henry Ford, Flannery O'Connor, the Archduke Otto von Habsburg, T. S. Eliot, Donald Davidson, Richard Nixon, Ronald Reagan, and other notables are unsurpassed. Kirk's keen insight into the minds of children, his romantic courtship, his perceptions of human nature, his adventures in dark corners are here for readers to enjoy. Writing from Mecosta, a remote village in the backwoods of northern Michigan, Kirk wielded his sword of imagination, laying bare the conceits of a sensate age.

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—F.A. HAYEK, *The Constitution of Liberty*

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